



# ENVIRONMENTAL ASSESSMENT BOARD

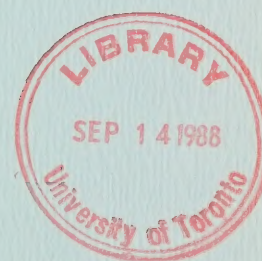
VOLUME: XLI

DATE: Tuesday, August 30th, 1988

BEFORE: M.I. JEFFERY, Q.C., Chairman

E. MARTEL, Member

A. KOVEN, Member



FOR HEARING UPDATES CALL (TOLL-FREE): 1-800-387-8810

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HEARING ON THE PROPOSAL BY THE MINISTRY OF NATURAL  
RESOURCES FOR A CLASS ENVIRONMENTAL ASSESSMENT FOR  
TIMBER MANAGEMENT ON CROWN LANDS IN ONTARIO

IN THE MATTER of the Environmental  
Assessment Act, R.S.O. 1980, c.140;

- and -

IN THE MATTER of the Class Environmental  
Assessment for Timber Management on Crown  
Lands in Ontario;

- and -

IN THE MATTER of an Order-in-Council  
(O.C. 2449/87) authorizing the  
Environmental Assessment Board to  
administer a funding program, in  
connection with the environmental  
assessment hearing with respect to the  
Timber Management Class  
Environmental Assessment, and to  
distribute funds to qualified  
participants.

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Hearing held at the Ramada Prince Arthur  
Hotel, 17 North Cumberland St., Thunder  
Bay, Ontario, on Tuesday, August 30th, 1988,  
commencing at 9:30 a.m.

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VOLUME XLI

BEFORE:


MR. MICHAEL I. JEFFERY, Q.C.	Chairman
MR. ELIE MARTEL	Member
MRS. ANNE KOVEN	Member





A P P E A R A N C E S

MR. V. FREIDIN, Q.C.)	MINISTRY OF NATURAL
MS. C. BLASTORAH )	RESOURCES
MS. K. MURPHY )	
MR. B. CAMPBELL )	MINISTRY OF ENVIRONMENT
MS. J. SEABORN )	
MR. R. TUER, Q.C.)	ONTARIO FOREST INDUSTRY
MR. R. COSMAN )	ASSOCIATION and ONTARIO
MS. E. CRONK )	LUMBER MANUFACTURERS'
MR. P.R. CASSIDY )	ASSOCIATION
MR. J. WILLIAMS, Q.C.	ONTARIO FEDERATION OF
	ANGLERS & HUNTERS
MR. D. HUNTER	NISHNAWBE-ASKI NATION
	and WINDIGO TRIBAL COUNCIL
MR. J.F. CASTRILLI)	
MS. M. SWENARCHUK )	FORESTS FOR TOMORROW
MR. R. LINDGREN )	
MR. P. SANFORD )	KIMBERLY-CLARK OF CANADA
MS. L. NICHOLLS)	LIMITED and SPRUCE FALLS
MR. D. WOOD )	POWER & PAPER COMPANY
MR. D. MacDONALD	ONTARIO FEDERATION OF
	LABOUR
MR. R. COTTON	BOISE CASCADE OF CANADA
	LTD.
MR. Y. GERVAIS)	ONTARIO TRAPPERS
MR. R. BARNES )	ASSOCIATION
MR. R. EDWARDS )	NORTHERN ONTARIO TOURIST
MR. B. McKERCHER)	OUTFITTERS ASSOCIATION
MR. L. GREENSPOON)	NORTHWATCH
MS. B. LLOYD )	



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APPEARANCES: (Cont'd)

MR. J.W. ERICKSON, Q.C.)	RED LAKE-EAR FALLS JOINT
MR. B. BABCOCK )	MUNICIPAL COMMITTEE
MR. D. SCOTT )	NORTHWESTERN ONTARIO
MR. J.S. TAYLOR)	ASSOCIATED CHAMBERS OF COMMERCE
MR. J.W. HARBELL)	GREAT LAKES FOREST
MR. S.M. MAKUCH )	PRODUCTS
MR. J. EBBS	ONTARIO PROFESSIONAL FORESTERS ASSOCIATION
MR. D. KING	VENTURE TOURISM ASSOCIATION OF ONTARIO
MR. D. COLBORNE	GRAND COUNCIL TREATY #3
MR. R. REILLY	ONTARIO METIS & ABORIGINAL ASSOCIATION
MR. H. GRAHAM	CANADIAN INSTITUTE OF FORESTRY (CENTRAL ONTARIO SECTION)
MR. G.J. KINLIN	DEPARTMENT OF JUSTICE
MR. S.J. STEPINAC	MINISTRY OF NORTHERN DEVELOPMENT & MINES
MR. M. COATES	ONTARIO FORESTRY ASSOCIATION
MR. P. ODORIZZI	BEARDMORE-LAKE NIPIGON WATCHDOG SOCIETY
MR. R.L. AXFORD	CANADIAN ASSOCIATION OF SINGLE INDUSTRY TOWNS
MR. M.O. EDWARDS	FORT FRANCES CHAMBER OF COMMERCE
MR. P.D. McCUTCHEON	GEORGE NIXON





(iii)

APPEARANCES: (Cont'd)

MR. C. BRUNETTA

NORTHWESTERN ONTARIO  
TOURISM ASSOCIATION





I N D E X   O F   P R O C E E D I N G S

<u>Witness:</u>	<u>Page No.</u>
<u>PETER R. ANDERSEN,</u>	
<u>JOHN M. DUNCANSON,</u>	
<u>ALISON COKE, Resumed</u>	6797
Continued Cross-Examination by Mr. Castrilli	6797
Cross-Examination by Mr. Campbell	6842
Re-Direct Examination by Ms. Blastorah	6960





1       ---Upon commencing at 9:45 a.m.

2                   THE CHAIRMAN: Good morning, ladies and  
3 gentlemen. The Board apologizes for the delay in  
4 starting today.

5                   MR. CASTRILLI: Mr. Chairman, I  
6 understand Mr. Cosman has a preliminary matter.

7                   MR. COSMAN: Mr. Chairman, Mr. Freidin  
8 has asked for my assistance in respect of your decision  
9 to visit one of the mills in the area on Wednesday  
10 morning.

11                   I made tentative arrangements, but I am  
12 asking who is going to be there in terms of numbers and  
13 what time, so it is a matter of logistics at this  
14 particular time.

15                   THE CHAIRMAN: Well, we are not  
16 constrained as we were with the helicopter tour, so if  
17 representatives of the parties who have been present  
18 wish to accompany the Board, I do not think the Board  
19 has any particular objections.

20                   Other than that, what else do you want to  
21 know in terms of who is going to accompany us?

22                   MR. COSMAN: In that respect it will be  
23 helpful in terms of security and number of hard hats  
24 and other such matters.

25                   THE CHAIRMAN: I take it it won't be a

1       problem for one of the mills to, say, bring ten people?

2                   MR. COSMAN:  It would not.  All I would  
3       need to know is a show of hands or names of those who  
4       will be attending.  I can give those names plus two to  
5       the mill operator and they will be able to make  
6       accommodation.

7                   THE CHAIRMAN:  It is my understanding, is  
8       this correct, Mr. Cosman, we are going to visit one  
9       mill?

10                  MR. COSMAN:  Yes.  Just for your  
11       information we tentatively set up for one one it is an  
12       ingrade mill with pumice, newsprint, stud mill, it is  
13       the Great Lakes mill in Thunder Bay.

14                  THE CHAIRMAN:  Very well.

15                  MR. COSMAN:  If we just know the numbers  
16       then I can give those numbers -- names and numbers and  
17       the time I can give that to the mill.  I understand  
18       from Mr. Freidin's colleague, Ms. Murphy, that she will  
19       provide a bus or some sort of travel accommodation from  
20       here to the mill.

21                  THE CHAIRMAN:  Okay.  Well, could we just  
22       have a show of hands of those parties who wish to  
23       accompany us?

24                  Mr. Castrilli, you will be there?  (show  
25       of hands)  Mr. Cosman?

1 MR. COSMAN: Yes.

2 THE CHAIRMAN: What about Mr. Edwards, he  
3 may wish to accompany the Board. Perhaps one of you  
4 can contact him and see if he does, since he is in  
5 town.

6 MR. FREIDIN: Eight to ten.

7 MR. COSMAN: Perhaps at the break people  
8 can give me the names. I have to give a list of names  
9 to the mill.

10 THE CHAIRMAN: I will also ask Mr. Mander  
11 to contact the local media to see if they wish to send  
12 a representative. Sometimes they do, sometimes they  
13 don't. So there may be somebody from the print media  
14 or electronic media and, of course, the three of us.

15 MR. FREIDIN: Before the day is over I  
16 will advise hopefully where the pick-up location will  
17 be and the time.

18 THE CHAIRMAN: Okay. Is that all?

19 MR. COSMAN: Thank you.

20 THE CHAIRMAN: Very well.

21 Mr. Castrilli?

22 PETER R. ANDERSEN,  
23 JOHN M. DUNCANSON,  
ALISON COKE, Resumed

24 CONTINUED CROSS-EXAMINATION BY MR. CASTRILLI:

25 Q. Good morning. I understand - still



1 with you Dr. Andersen and Mr. Duncanson - I understand  
2 from your testimony and from your report which is  
3 Exhibit 191 that, for a number of reasons, you believe  
4 that Ontario lumber will become more dependent on the  
5 Ontario market in the 1990s; is that correct?

6 DR. ANDERSEN: A. We made a statement  
7 that the Ontario market will become more important in  
8 the 1990s. I am not sure whether we made that comment  
9 for lumber or made it for other products.

10 What page is that comment on, Mr.  
11 Castrilli?

12 Q. Page 188. It is the last paragraph,  
13 in particular, the last sentence.

14 A. Yes.

15 Q. Would it be fair to say, Dr.  
16 Andersen, that one reason for that is that the impact  
17 of the 15 per cent export tax on softwood lumber will  
18 have the effect of imposing further costs on Ontario  
19 mills potentially resulting in an advantage to U.S.  
20 producers?

21 A. Yes.

22 Q. Would it be fair to say as a result  
23 of the U.S. market for Ontario softwood, lumber  
24 producers will shrink?

25 A. I don't know. I don't think it is

1 going to shrink. I think it is our view that it is  
2 going to be maintained, in absolute terms.

3 Q. If I refer you to Exhibit 61, it is  
4 the Woodbridge Reed Report. On that page I am  
5 referring to the second paragraph -- sorry, page 51.

6 We are looking at the first two  
7 paragraphs. In the second paragraph the authors of the  
8 Woodbridge Reed Report say: Even today with reasonably  
9 high volume demand, strong markets and fairly good  
10 prices, many Ontario mills are only just above the  
11 break even point.

12 Do you agree with that assessment?

13 A. Yes.

14 Q. And moving on to the last sentence in  
15 that paragraph?

16 A. That's the sentence that says lumber  
17 mills -- it says: "...many Ontario mills..."

18 Q. Yes.

19 A. And I take it my answer referred to  
20 the lumber...

21 Q. So your answer is limited to lumber  
22 mills?

23 A. Yes.

24 Q. I see. Okay, thank you.

25 The next sentence in that paragraph

1 indicates that:

2 "Once markets and prices decline, as  
3 seems inevitable, the outlook is likely  
4 to be distinctly unhealthy."

5 Do you agree with that assessment? If  
6 you want to confine it to lumber mills then I will be  
7 content with that.

8 A. Yes, I would agree with that.

9 Q. Thank you.

10 Q. Would you agree that that information  
11 would suggest that one would have to take that  
12 information in account in planning for future  
13 industrial demand from the Crown forests of Ontario?

14 A. Yes.

15 Q. Thank you. And would the inference  
16 or one inference to be drawn be that, again, from the  
17 information, that if the markets are not there the  
18 demand to be met from the Crown forests may not be as  
19 great as anticipated?

20 Would that be a fair inference?

21 A. Sorry, would you just reword that --  
22 not reword, repeat the question for me.

23 Q. Sure. Would an inference or one fair  
24 inference to be drawn from this information be that if  
25 the markets are not there the demand to be met from the



1 Crown forests will not be as great as otherwise  
2 anticipated?

3 A. In our demand forecast for softwood  
4 lumber, particularly for all wood products, we felt the  
5 demand would be there, but we didn't feel it was going  
6 to increase.

7 As we stated earlier -- as Dr. Andersen  
8 stated earlier, the U.S. market will be there on a  
9 volume basis. The 15 per cent export tax hurts the  
10 financial health of the lumber industry in Ontario from  
11 the profitability viewpoint.

12 Q. That's fine, thank you. Now, I also  
13 understand from your testimony that the Ontario forest  
14 products industry is currently in its best financial  
15 year in many years; is that correct?

16 A. That's correct.

17 Q. It is also true, as we have already  
18 noted in the last two days, that the 15 per cent export  
19 tax on softwood lumber is a major cost to the Ontario  
20 producers and has resulted in reduction; is that  
21 correct?

22 A. It is the major cost to the lumber  
23 industry.

24 Q. Has it not always resulted in reduced  
25 lumber production?

1 A. That is correct.

2 Q. I believe it is also true that there  
3 is Reed saw mills that have recently closed in Ontario?

4 A. That is correct.

5 Q. And it is also true that operating  
6 rates at several other saw mills have been reduced?

7 A. That is correct.

8 Q. And is it also true that in total  
9 approximately 10 per cent of Ontario's saw mill  
10 capacity has been idled?

11 A. That is correct.

12 Q. And can you confirm for me, Mr.  
13 Duncanson, that the wood products industry in Ontario  
14 continues to depend heavily on the domestic markets,  
15 the only market in which it can effectively compete or  
16 compete effectively?

17 A. Yes, it will continue to depend  
18 heavily on the domestic markets.

19 Q. And it is the only market in which it  
20 can compete effectively?

21 A. It is the only market they can  
22 compete in profitably.

23 Q. Page 198 of your evidence, the last  
24 paragraph on that page, first sentence.

25 A. I have it.

1 Q. Do you agree it is the only market in  
2 which they can compete effectively?

3 A. By the term effectively, I meant  
4 profitably.

5 Q. That is fine. I refer you again to  
6 what is now Exhibit 205, the Ministry of Industry,  
7 Trade and Technology Report of 1986.

8 A. I have it.

9 Q. Page 17. We're looking at the top  
10 paragraph on the page under the heading: Lumber.

11 The paragraph states:

12 "The structure of Ontario's sawmill  
13 industry approaches that of a  
14 non-industrialized country (NIC) in that  
15 the capacity of a majority of the  
16 operating mills is below that considered  
17 necessary to provide significant  
18 economy-of-scale benefits. The  
19 other NIC characteristic shared by  
20 Ontario is that a number of small  
21 mills account for the major portion of  
22 total production. In 1984. Out of a  
23 total of 726 operating sawmills only 55  
24 (8 per cent) would be considered world  
25 class units; i.e., that in excess of



1                   60,000 cubic metres output annually (on  
2                   two shifts), but it is estimated that  
3                   this group accounted for more than 80 per  
4                   cent of total production."

5                   Do you agree with that assessment by the  
6                   authors of Exhibit 205?

7                   A. I would agree basically with the  
8                   statistics. The lumber industry in Ontario is a very  
9                   difficult one to attain good reliable data on, but I  
10                  would tend to agree that the largest portion of the  
11                  total production is comprized of small -- a number of  
12                  saw mills.

13                  I think when you are talking about the  
14                  lumber industry in Ontario it is very important to  
15                  realize that you are not comparing the -- you can't  
16                  compare it head on with other producing regions in the  
17                  world, mainly for the fact that the number one  
18                  determinant of when you start using words like world  
19                  class, a large amount of the ability of the mill to  
20                  produce a wide range of high value and diversified  
21                  products is based on the size of the timber available.

22                  Ontario, and for the large part, eastern  
23                  Canadian saw mills are faced with the problem that the  
24                  trees are small in diameter, therefore, it restricts  
25                  their ability to cut long length and wide widths and I

1 compare it primarily to the western U.S., the western  
2 Canadian provinces which do have a much bigger growing  
3 base.

4 So I don't like using words like world  
5 class or --

6 Q. Or non-industrialized?

7 A. Or non-industrialized.

8 Q. Can I ask you, you mentioned in your  
9 answer to my question that the tree size or the tree  
10 size of timber is smaller in Ontario than you said  
11 western Canada and western United States.

12 A. Yes.

13 Q. Can you advise the Board why you  
14 understand that to be the case?

15 A. I have to rely on my forestry  
16 background for this but basically it is the species  
17 composition. The timber size -- predominant species in  
18 the boreal forest, which is primarily eastern Canada,  
19 comprises spruce, black spruce, white spruce and jack  
20 pine. Those are the predominant softwood species.

21 The characteristics of the species, they  
22 reach maturity at a height of about 80 to 100 feet in  
23 diameter -- in length. The diameter very rarely goes  
24 much above 8 to 10 inches; whereas on the west coast  
25 you are dealing with a coastal rain forest, you are

1       also dealing with the interior belt where you get  
2       predominant -- on the coastal -- all the way up the  
3       west coast from California, right up to B.C. you are  
4       getting a very large forest consisting of primarily  
5       large hemlock and we are talking diameters upwards of 6  
6       feet and you are talking about tree length in excess of  
7       200 feet.

8                       So you are dealing with a much bigger raw  
9       material base. The species in the interior of the  
10      province are also blessed with the fact that the  
11      western white spruce, which is the predominant species,  
12      grows to diameters much in excess of those in the east.

13                     Q. So it is species related and not  
14      production--

15                     A. It is species related.

16                     Q. --or economic?

17                     A. It is species related.

18                     Q. All right, thank you.

19                     Page 19 of the same exhibit, Exhibit 205,  
20      Item 1 at the bottom of the page. The authors of this  
21      report are making several tentative conclusions, the  
22      first one is:

23                     "Natural markets for softwood lumber from  
24      Northern Ontario are presently being  
25      supplied by competing producers. This



1 includes markets in Ontario and the  
2 U.S."

3 Do you agree with that assessment?

4 A. Yes, I do.

5 Q. Still on the same exhibit, page 45,  
6 the bottom of the page, the last part of the last  
7 paragraph -- actually the last sentence identifies:

8 "Thus the current productivity of the  
9 entire Ontario pulp and paper industry,  
10 of which Northern Ontario represents the  
11 major part, appears significantly less  
12 than comparative regions."

13 It is referring to the remaining part of  
14 that paragraph and the previous paragraph. Do you  
15 agree with that assessment?

16 A. No, I don't, I disagree.

17 Q. Can you advise the Board why you do?

18 A. The previous paragraph outlines that  
19 the 42,000 people reported by Stats Can as employed in  
20 the paper and allied industries in Ontario. First of  
21 all, that would incorporate all of the very  
22 labour-intensive converting portions. Really it  
23 represents the allied part of the industry which would  
24 include folding carton manufacturers, boxboard, a lot  
25 of the paper converters that are located in the

1 southern part of Ontario. It would also incorporate  
2 the paper mills in northern Ontario, the groundwood  
3 specialty mills, the coated paper mills, particularly  
4 the one in Thunder Bay which are more labour-intensive.

5 I have attempted to separate out just the  
6 newsprint and the pulp mill component and this is  
7 back -- my data is backed up by the Price Waterhouse  
8 Study which basically shows that Ontario mills are as  
9 cost efficient on a productivity basis on those basic  
10 commodities.

11 So that is the main reason for my  
12 disagreement.

13 Q. Sorry that was newsprint and...

14 A. If you take the 8 newsprint mills,  
15 the 6 pulp mills and you do a productivity analysis by  
16 man, you get -- I haven't been able to double check it  
17 against the other producing regions, but we know that  
18 it is similar because of the findings in the Price  
19 Waterhouse Study for newsprint in particular.

20 Q. That is fine. I understand from your  
21 testimony that the future competitiveness of the  
22 Ontario forest products industry will be enhanced  
23 through modernization that will be less  
24 labour-intensive; is that right?

25 A. Could you refer me to the page that

1 you are...

2 Q. Page 193.

3 A. Yes, I have that. Your question?

4 Q. Sorry, it is the paragraph above the  
5 heading titled: Transportation.

6 A. Yes.

7 Q. I basically paraphrased that. Can  
8 you advise me whether it would be fair to conclude from  
9 that assessment of yours that improving productivity  
10 through modernization that is less labour-intensive can  
11 only mean that the industry will be lowering or reduce  
12 employment?

13 A. No. I agree with the statement that,  
14 as we have put in our report, the new processes are  
15 less labour-intensive. As I stated yesterday, I do not  
16 believe there will be significant reductions in the  
17 labour pool because of the new jobs created with the  
18 additional -- additions of capacity and such.

19 So it would be spreading the workforce  
20 over a bigger, more efficient working machine and I use  
21 machine as to include the entire industry.

22 Q. On the same page you indicate that  
23 Ontario mills have competitive transportation rates in  
24 the U.S. and northeast. Do you see that under the  
25 heading of Transportation?

1 A. Yes, I have got the table.

2 Q. Now, looking at the table itself,  
3 just so I understand how it works, on the left-hand  
4 vertical column are the destinations and across the top  
5 are the origins. So that if we were to look down the  
6 column of origin, northwest Ontario.

7 A. Yes.

8 Q. We see that the rate, for example, to  
9 Philadelphia is \$90.

10 A. That is correct.

11 Q. That is per metric tonne. It is also  
12 the same for northeastern Ontario; is that right?

13 A. That's correct.

14 Q. Now, if you look at the southeast  
15 United States origin column you see that the rate from  
16 to Philadelphia from the southeast U.S. is \$50; is that  
17 correct?

18 A. That's correct.

19 Q. Do you agree that the transportation  
20 cost difference is \$40 and that the northwest and  
21 northeast Ontario transportation cost to Philadelphia  
22 is 80 per cent higher than that from the southeast  
23 United States?

24 A. Yes.

25 Q. Does an 80 per cent higher



1 transportation cost constitute a competitive rate?

2 A. Yes, it would.

3 Q. What would not constitute a  
4 competitive rate?

5 A. Well, based on the cost survey which  
6 was summarized from Price Waterhouse on newsprint  
7 basically, you know, it really does depend on where you  
8 are shipping from and your final destination.

9 Philadelphia is not in our immediate  
10 market area. We did not include that as our --

11 Q. I am looking at Exhibit 197 on the  
12 wall. It is included in the outer bands; is it not?

13 A. Yes, it is.

14 Q. So what did you mean you didn't  
15 include it in your immediate market area?

16 A. The immediate market area on our  
17 analysis is the first circle and Philadelphia is not in  
18 that circle.

19 Q. So that when you say U.S. northeast  
20 you don't mean Philadelphia and you don't mean New York  
21 City?

22 A. We basically mean Pittsburgh and  
23 western Pennsylvania and western New York.

24 MR. MARTEL: May I raise a question?

25 MR. CASTRILLI: Yes.

1                   MR. MARTEL: Yesterday I asked about  
2                   transportation. This is just the figure that if I  
3                   picked up the telephone and phoned CNR or CPR they  
4                   would tell me that that is the rate they charge?

5                   Is that the way you arrive at that  
6                   figure?

7                   MR. DUNCANSON: No. The transportation  
8                   agreements between producer, major producers -- we are  
9                   talking fairly large volume shippers in all of these  
10                  cases and the carriers, whether they be truck or rail,  
11                  these agreements are very confidential.

12                  My list here was based on industry  
13                  interviews and were actually the average costs that  
14                  were supplied by several of the mills and they asked  
15                  that they remain anonymous. So these would be more or  
16                  less the agreed upon contract rates and are not  
17                  published tariffs.

18                  MR. MARTEL: But they don't include what  
19                  type of agreement that they might have in terms of if  
20                  you exceeded a certain volume or a certain amount, in  
21                  fact, the rate is reduced even further?

22                  MR. DUNCANSON: Yes, I think -- yes, they  
23                  do, they do include basically the incentives into these  
24                  markets. These are traditional markets. Most of the  
25                  producers that would be shipping into the Chicago area

1 would have a pretty fair idea, year to year, how much  
2 volume they would actually be shipping into that  
3 particular market.

4 So it is not -- at the start of every  
5 calendar year it is not a new game where you have to  
6 good out on the road and establish a client base, it is  
7 an established client base, so you have a pretty good  
8 idea how much volume you are shipping between the mill  
9 and the particular destination.

10 They use these rates to great advantage  
11 in the fact that they can, as you can see from our  
12 circle, you are within a day's trucking from some of  
13 these mills as well and with the re-regulation as I  
14 call it deregulation of the freight industry in both  
15 the United States and what is coming through in Canada,  
16 this allows the mills to get competing bids from trucks  
17 as well as from the railways.

18 MR. CASTRILLI: Q. Mr. Duncanson, I had  
19 asked you what would constitute a competitive rate? An  
20 uncompetitive rate of 80 per cent difference between  
21 U.S. southeast and northwestern Ontario and  
22 northeastern Ontario you consider competitive?

23 MR. DUNCANSON: A. I guess the -- I  
24 would say that, you know, a competitive rate by and  
25 large for an eastern producer, whether it be Quebec or

1 Ontario or even from the U.S. south, would be in the  
2 neighbourhood of about 85 -- 80 to \$85 Canadian per  
3 tonne. That is what I would classify as a competitive  
4 rate.

5 Anything below that, you know, is just as  
6 to profitability, but the market prices go up and down  
7 so you need -- in quite a few cases you need that  
8 little extra cushion.

9 Q. Sorry, you said 80 to \$85 Canadian?

10 A. Per metric tonne--

11 Q. Per metric tonne.

12 A. --is what I would consider to be an  
13 average competitive rate.

14 Q. But when our friends from the  
15 southeast United States are transporting to the same  
16 destinations at a rate of \$50 are they not in fact  
17 doing considerably better; aren't they in fact more  
18 competitive transportation wise?

19 A. Into Philadelphia and New York they  
20 would be, but into some of the major consuming areas  
21 for the Ontario producers, particularly Chicago and  
22 Minneapolis where you have a tremendous amount of your  
23 pulp and paper demand, they are at a disadvantage.

24 Q. What I am trying to understand is  
25 your statement in that paragraph where you say that:



1 " Ontario mills have competitive rates  
2 into the northeastern United States."

3 I am just not understanding what you are  
4 defining as northeastern United States. Are you saying  
5 Chicago is part of the northeastern United States?

6 A. I don't see that they have a very --  
7 they have a definite transportation cost advantage into  
8 the north central and southern Ontario and they have  
9 competitive rates into the northeast.

10 And you asked me what my definition of a  
11 competitive rate was and I said it is 80 to \$85  
12 Canadian. The Philadelphia and New York are not, you  
13 know, the rates into those markets are not as  
14 competitive on average.

15 Q. That is fine, thank you. Would it be  
16 fair to say that without the current U.S. exchange  
17 rates the forest products industry could not continue  
18 to compete in the U.S. export market?

19 A. No.

20 Q. Isn't that essentially what your  
21 evidence suggests on page 194?

22 A. The third paragraph under exchange  
23 rates.

24 Q. You indicate in that paragraph:

25 "The chart below illustrates the

1 sensitivity to exchange rates by Ontario  
2 newsprint mills based on the 1986  
3 production cost studies highlighted in  
4 section 3.2. At values of the Canadian  
5 dollar greater than 70-cents (U.S.), the  
6 delivered cost of Ontario newsprint moves  
7 above that of newsprint produced in the  
8 U.S. south."

9 A. Yes, that refers to the cost table  
10 that I showed on the overhead on Friday and is, as  
11 shown on page 190, taken again from the Price  
12 Waterhouse newsprint cost study. It shows that the  
13 total delivery cost does move higher than the total  
14 delivered cost from the southern states.

15 However, that doesn't mean that the  
16 Ontario mills lose market share or lose -- or are  
17 unprofitable. At current list prices, as I stated,  
18 with the Canadian dollar where it is today, most of the  
19 Ontario producers on a pre-tax basis are able to get  
20 into their traditional markets with a \$200 plus per  
21 tonne pre-tax profit margin.

22 Q. All right. I am just looking at the  
23 chart which I guess doesn't actually have a -- on page  
24 194 doesn't actually have a number. It is called  
25 Delivered Cost of Newsprint.

1                   Doesn't that illustrate the U.S.?

2                   A. I have used the U.S. total delivery  
3 cost from the cost study, the \$358 (U.S.), and I have  
4 converted the Canadian \$515 at various rates of  
5 exchange and plotted those along the graph.

6                   Q. So would it be fair to say that  
7 because of its dependence on the U.S. export market it  
8 is, therefore, subject to the macro-economy policies,  
9 in particular, the U.S. governments?

10                  A. The exchange rate fluctuations are  
11 dependent on those macro-economic features of various  
12 governments and the exchange rates in turn have an  
13 impact on the level of profitability of the industry.

14                  Q. Is it also fair to say that the  
15 forest products industry's contribution to the Ontario  
16 economy is dependent upon U.S. economic policy because  
17 it is dependent upon the exchange rates for its  
18 competitiveness?

19                  A. Yes.

20                  Q. So would it be fair to say that  
21 Ontario could not do long-term demand projections for  
22 wood from the Ontario Crown forests because it is  
23 really trying to meet U.S. demand?

24                  A. Could you repeat that, please?

25                  Q. Sure. Would it be fair to say that

1 Ontario cannot do long-term demand projections for wood  
2 from the Ontario Crown forests because it is really  
3 U.S. demand that Ontario is trying to meet?

4 A. I think that in the -- we are  
5 referring specifically to newsprint, that the  
6 supply/demand relationship does make an impact here and  
7 if the profitability -- we are not just talking about  
8 Ontario here, we are talking about the rest of the  
9 Canadian supply in the U.S. market which we have  
10 identified as being roughly 55 to 60 per cent of  
11 newsprint consumed in the U.S. comes from Canada, so  
12 Canada is not alone if the dollar decreases in value.

13 And perhaps for the Board's benefit it  
14 would be helpful to know what would happen if the  
15 dollar was at par, if the par was at par today; that  
16 is, one Canadian equals one U.S.

17 The effect by inflational supply/demand  
18 factors is currently U.S. \$650 per tonne delivered. So  
19 even at par, on a pre-tax basis, the Canadian and the  
20 Ontario industry, as shown from the Price-Waterhouse  
21 Study, is profitable and, as we have identified -- as  
22 Dr. Andersen and I had beforehand, our demand forecast  
23 would assume that the consumption of newsprint in the  
24 U.S. is going to continue to grow and there will  
25 continue to be demand for Ontario and Canadian



1 newsprint in the U.S.

2 MR. MARTEL: You are saying about \$135  
3 dollars, Mr. Duncanson, in the present rate is \$650?

4 MR. DUNCANSON: That would be pre-tax, of  
5 course, those are average rates. Yes, I think that  
6 surprises a lot of people.

7 MR. CASTRILLI: Q. Mr. Duncanson, were  
8 you finished with your answer?

9 MR. DUNCANSON: A. Yes.

10 Q. So that the thrust of the question I  
11 have posed to you is that it is really U.S. demand that  
12 Ontario is trying to meet. How much control does  
13 Ontario have over how it is going to project its  
14 long-term projections from what it needs from its Crown  
15 forests?

16 MS. BLASTORAH: Mr. Chairman, I am not  
17 sure that is really a question Mr. Duncanson is  
18 qualified to answer. He is not a forester who  
19 practices as such and he is not a planner; he isn't  
20 involved in that part of the Ministry's work at all.

21 He can talk about demand for product, but  
22 he hasn't addressed his evidence to demand for species.  
23 We made it clear that's not what he was qualified to  
24 speak to. I don't know if that's a fair question to  
25 put to him.

1 THE CHAIRMAN: Does not, to a certain  
2 extent, demand for species equal demand for product? I  
3 mean, is it not related if the U.S. demand goes up?

4 MS. BLASTORAH: I don't think we deny  
5 that it is related but Mr. Duncanson is not the person  
6 to answer that question. It may more properly be put  
7 to Panel 15 where we are going to deal with the  
8 planning process and, given Mr. Duncanson's evidence as  
9 to what product demand will be, then they can comment  
10 on how that is going to impact on the Ministry's  
11 planning functions.

12 THE CHAIRMAN: Well, I do not think that  
13 is what Mr. Castrilli is after; is it, Mr. Castrilli?

14 MR. CASTRILLI: This witness has given  
15 evidence on supply as well as demand.

16 MS. BLASTORAH: Mr. Duncanson was  
17 answering it.

18 MR. DUNCANSON: I am just wrestling with  
19 the answer.

20 MR. CASTRILLI: Q. Take your time.

21 A. I would appreciate it if you could  
22 repeat the question one more time.

23 Q. Sure. Would it be a fair inference  
24 to draw that Ontario cannot do long-term demand  
25 projections for wood from the Crown forests because it

1 is really U.S. demand that it is trying to meet?

2 THE CHAIRMAN: Why, Mr. Castrilli, can't  
3 Ontario forecast or attempt to forecast U.S. demand?

4 MR. CASTRILLI: Basically, it could do  
5 that, but what it means is it is really tying how we  
6 will manage the Crown forests to the -- in terms of  
7 what goes on in the U.S.

8 THE CHAIRMAN: Why does that necessarily  
9 follow? Why -- if there is a projection made that the  
10 demands from the export market will be at such a level,  
11 what has that got to do necessarily with the way the  
12 forests are managed?

13 The province may or may not be able to  
14 supply that demand, granted, but that does not  
15 necessarily mean that they will manage the forest  
16 appropriately in order to supply it, they may just not  
17 be able to meet that demand.

18 MR. CASTRILLI: Well, Mr. Chairman, you  
19 will recall that, for example, the models we saw in  
20 Panel 4 were all demand driven models and in this panel  
21 evidence is that demand is in fact a U.S. demand.

22 So I think the question is entirely  
23 relevant and the two panels make up together and  
24 obviously were intended to -- I am trying to understand  
25 the limits.

1 MS. BLASTORAH: Mr. Chairman, the  
2 evidence in the previous panels was with regard to  
3 models. There was no indication that those models are  
4 the basis or the manner in which the Ministry actually  
5 managed the forest. Those were models that were put  
6 forward as models, not as examples of how the Ministry  
7 actually manages the forest today.

8 MR. CASTRILLI: Sorry.

9 MS. BLASTORAH: And we did indicate that  
10 those were not projections of what supply would be  
11 either.

12 MR. DUNCANSON: Could I attempt an answer  
13 to your question because I am following you on the  
14 question. Your previous questioning on exchange rates  
15 should make it clear that the exchange rates have  
16 nothing to do with the demand. Exchange rates do have  
17 a lot to do with the profitability of the Canadian --  
18 not just Ontario, but the entire Canadian industry.

19 Perhaps that answers the question more  
20 fully.

21 MR. CASTRILLI: Sorry, I will move on to  
22 another topic.

23 Q. Now, I understand from your testimony  
24 that Ontario's supply of wood fiber is able to support  
25 the demand of the forest products industry for the next



1 50 years; is that right?

2 MR. DUNCANSON: A. What page are we on  
3 now?

4 Q. 206, sorry the top paragraph.

5 A. Yes, we believe so.

6 Q. Can you advise the Board, do you mean  
7 the old forest or the new forest?

8 A. The existing forest at the time of  
9 the demand.

10 Q. Let me ask you, Mr. Duncanson: What  
11 do you base the conclusion on that we find at the top  
12 of page 206 with respect to wood supply?

13 A. The information that we were supplied  
14 on wood supply came from various sources; the industry  
15 itself in talking to a number of the larger end users  
16 as well as the Ministry of Natural Resources supplied  
17 us with -- Ministry of Natural Resources supplied us  
18 with material that describes -- that would supply  
19 scientists that -- it was information that gave us the,  
20 you know, comfort level to write, you know, what we did  
21 there and the fact that we felt that it was ample to  
22 meet future supply/demand.

23 Q. So that conclusion is based on  
24 somebody else's information, it is not based on your  
25 own work; is that right?

1 A. It is not based on our own analysis.

2 Q. Can you advise the Board what it was  
3 the Ministry gave you that permitted you to draw that  
4 conclusion?

5 A. We can't cite any specific  
6 documentation. This information was supplied by the  
7 Ministry verbally.

8 Q. It was supplied verbally?

9 A. Yes.

10 Q. Only verbally?

11 A. In discussions with the Ministry and  
12 various industry and sources.

13 Q. Who in the Ministry verbally advised  
14 you of that figure?

15 A. It was John Cary.

16 Q. John Cary. Okay. Do you actually  
17 make projections of the demand by the forest products  
18 industry for wood for the next 50 years in what is  
19 Exhibit 191?

20 A. I am sorry, demand for...?

21 Q. For or demand by the forest products  
22 industry for wood for the next 50 years?

23 A. No, we don't.

24 Q. You don't. Your horizon is to the  
25 year 2000?

1 A. No, we forecast demand for the end  
2 product.

3 Q. Sorry, but in terms of time, what...?

4 A. We went to the year 2000.

5 Q. Thank you.

6 Now, continuing on the same page of your  
7 evidence, you state:

8 "There is no evidence to support that  
9 this future supply will be more costly  
10 than current supplies."

11 Do you see that in the last sentence?

12 A. Yes.

13 Q. Would it be fair to say that in fact  
14 future wood supplies will be more costly?

15 A. No.

16 Q. No. I refer you to Exhibit 4, it is  
17 the Class Environmental Assessment Document, page 30,  
18 lines 1 and 2. Do you have the page, Mr. Duncanson?

19 A. Yes, I do.

20 Q. On that page it is indicated at lines  
21 1 and 2:

22 "The land area in Ontario available for  
23 production of required wood supplies is  
24 finite and increasingly remote."

25 Would you agree with me that increasing

1 remoteness will lead to increasing costs?

2 A. When I read that sentence I take that  
3 land as available for production not land currently  
4 being harvested and I don't see that, in the evidence  
5 that we gained from the Ministry and from the industry,  
6 we did not see that they were having to be, you know,  
7 moved out further into the field.

8 I see that sentence as meaning available  
9 for production.

10 Q. So you see that sentence as  
11 reading...

12 A. Just as it is.

13 Q. Future remoteness?

14 A. No. I see the same kind of land area  
15 in Ontario available for production, not currently in  
16 production.

17 Q. I refer you to Exhibit 205 -- sorry,  
18 page 47.

19 MR. MARTEL: What page?

20 MR. CASTRILLI: Page 47.

21 MR. DUNCANSON: I have it.

22 MR. CASTRILLI: Q. The second paragraph  
23 under Conclusions on that page reads as follows:

24 "In general, the wood resource is  
25 adequate but there are concerns about



1 wood availability in 15 to 20 years when  
2 the presently overmature stands currently  
3 being cut at an accelerated rate will be  
4 depleted. For most mills the wood  
5 supply is becoming more distant and hence  
6 more costly, in some areas good quality  
7 logs for lumber and plywood production  
8 are becoming scarce."

9 Now, just focusing on the second to last  
10 sentence: "The wood supply is becoming more distant  
11 and hence more costly." Do you agree with that  
12 assessment?

13 MR. DUNCANSON: A. I am not sure which  
14 sense the author is using. Is he talking wood supply  
15 to the pulp and paper industry or is he talking wood  
16 supply to the lumber industry. It is -- you know,  
17 there are differences. So I basically -- I don't know  
18 in that particular sentence.

19 Q. Well, he is talking about the forest  
20 products industry generally. Can you answer it  
21 generally?

22 A. You know, unless it is specifically  
23 broken down, I...

24 Q. Then why don't you break it down by  
25 sector if you feel more comfortable answering that way.

1                   A. I don't know. It is site-specific  
2                   and it is mill-specific. There are -- we have  
3                   identified there are stands of hardwood that can be  
4                   utilized in the pulping and there is also -- you know,  
5                   there is the possibility of better utilization of  
6                   smaller diameter stock in different pulping processes  
7                   for the newsprint industry. So it is site-specific.

8                   Q. I see. Now, on page 206 of your  
9                   evidence you talk about there being no evidence to  
10                  suggest that this future supply will be more costly  
11                  than current supplies. What were you speaking of, the  
12                  forest industry or which component of the forest  
13                  industry?

14                 A. We were referring to the forest  
15                 industry in general.

16                 Q. So can you answer my question in  
17                 general with respect to page 47? It clearly  
18                 contradicts your assessment; does it not?

19                 A. The time frame is -- I don't think we  
20                 are talking about the same time frame either.

21                 Q. How do you know that?

22                 A. He says:

23                 "In general the wood resource is  
24                 adequate...15 to 20 years..."

25                 That is basically the same time frame we

1 are in.

2 Q. That's right.

3 A. However, it looks like he is going  
4 further out into the future.

5 Q. You just said he was talking about  
6 the same time frame.

7 A. No, in that first sentence and then  
8 it looks like, "...for most mills...", and again I  
9 don't know if he is talking saw mills or pulp mills,  
10 "...the wood supply is becoming more distant and hence  
11 more costly."

12 Q. Now, looking at your paragraph 1 on  
13 page 206, you say:

14 "There is no evidence to suggest that  
15 this supply will be more costly than  
16 current supplies."

17 What did you rely on to draw that  
18 conclusion?

19 A. It was basically the information  
20 gained from the Ministry of Natural Resources.

21 Q. What information is that?

22 A. It was not -- again, it was similar  
23 to the first sentence on that page, it was evidence  
24 that was given to us verbally through the Ministry.

25 Q. Verbally only; is that right?

1 A. Verbally only.

2 Q. Who was the source of that  
3 information?

4 A. Again, it was John Cary.

5 Q. Thank you.

6 MR. CASTRILLI: Mr. Chairman, I wonder in  
7 relation to these two sources of information, the  
8 origin of which reside with Mr. Cary, whether I could  
9 have an undertaking from Ms. Blastorah to provide  
10 whatever it was Mr. Cary relied on to provide these  
11 gentlemen with those conclusions?

12 MS. BLASTORAH: Mr. Chairman, we just had  
13 an entire panel of evidence on that exact matter and  
14 Mr. Cary was a member of that panel and Mr. Castrilli  
15 had every opportunity to ask him any questions he  
16 wanted about wood supply; and this panel is not here to  
17 talk about wood supply, they are here to talk about end  
18 product demand and competitiveness.

19 And I don't see how going back to rehash  
20 that is going to add anything to the extensive evidence  
21 we have had on that point.

22 MR. CASTRILLI: Mr. Chairman, with great  
23 respect, we did not have evidence about this paragraph  
24 in the previous panel.

25 Now, I find it difficult to understand



1 Ms. Blastorah's position that if evidence is going to  
2 be supplied by the Ministry in a piece meal fashion, as  
3 it has been in this hearing, that I can't go back to  
4 somebody who has obviously been the source of  
5 information about a future panel and ask for the  
6 information that this panel relies on.

7 This panel was not available to me and I  
8 am not to be expected to review this stuff overnight.

9 MS. BLASTORAH: Well, Mr. Chairman, Mr.  
10 Castrilli did have this material. When he chooses to  
11 review is, of course, up to him but the material was in  
12 his hands for Panel 5 evidence and if he felt it was  
13 related perhaps it was incumbent upon him to review  
14 them together.

15 But, in any event, I think it is quite  
16 clear from the evidence here that the witnesses here  
17 relied on projections of the Ministry with regard to  
18 wood supply and we heard those in Panel 4, and I don't  
19 see -- it has been quite clear from the evidence that  
20 they are relying upon the fact that the supply will be  
21 there and we have heard in Panel 4 why the Ministry  
22 feels that is the case.

23 MR. CAMPBELL: Mr. Chairman, I have a few  
24 questions around this paragraph as well and it might  
25 be, rather than have the objection again, it might be

1 as well to deal with it all at once.

2 THE CHAIRMAN: All right. Well, the  
3 Board is considering asking Ms. Blastorah that Mr. Cary  
4 be asked to produce in writing just the source that he  
5 relied upon to make these statements to the panel,  
6 either the Panel 4 sources or any other source outside  
7 of what he dealt with in Panel 4.

8 I am not suggesting that Mr. Cary be  
9 recalled at this time to deal with this. He is going  
10 to be back later, I assume in some other panel, that  
11 was the Board's understanding, and if new information  
12 arises as a result of what he provides then he can be  
13 questioned at that point in time.

14 MS. BLASTORAH: Mr. Chairman, I would  
15 like to take that under advisement. Mr. Cary isn't  
16 here today and I will have to speak to him as to  
17 whether -- you know, how difficult a task that is and  
18 so on. So if I can take that under advisement and get  
19 back to the Board on that matter, I think that would be  
20 the most appropriate way to deal with that.

21 THE CHAIRMAN: All right. Would you be  
22 satisfied with that, Mr. Castrilli, at this point?

23 MR. CASTRILLI: I am content with that,  
24 Mr. Chairman.

25 MR. CAMPBELL: I think so, as long as

1 as -- my understanding of the way it is left then is  
2 that this is still an open matter to be dealt with.

3 I mean, my concern is that it was quite  
4 clear in Panel 4 that the Ministry did not produce a  
5 comprehensive forecast, its view as to a comprehensive  
6 forecast of wood supply. That was well established in  
7 the evidence.

8 It is also clear that none of the  
9 evidence in Panel 4 addressed the last sentence that  
10 there is no evidence to suggest that this future supply  
11 will be more costly than current supplies. That simply  
12 was not dealt with at all by the proponent in its  
13 evidence in Panel 4.

14 THE CHAIRMAN: Okay. The panel is  
15 indicating that Mr. Cary provided them with information  
16 which enabled them to reach this conclusion. And I  
17 guess it is fair, under the circumstances, Ms.  
18 Blastorah, to ask Mr. Cary to indicate what he relied  
19 upon to give this panel the information which allowed  
20 them to make this conclusion, if that was the source,  
21 as you indicated--

22 MR. DUNCANSON: That was the source.

23 THE CHAIRMAN: --it was of this  
24 information which enabled you to reach the conclusion  
25 that went into your report, that statement.

1 MS. BLASTORAH: If I may have just a  
2 moment, Mr. Chairman.

3 Mr. Chairman, we will make inquiries of  
4 Mr. Cary and we will attempt to provide the response to  
5 the Board. Without having spoken to him, you realize  
6 that is about all I can promise today.

7 MR. CAMPBELL: My only concern, Mr.  
8 Chairman, and I would like to be on record on this  
9 matter, that should evidence -- any evidence be  
10 provided other than -- well, should any evidence be  
11 provided in support of those points, it is our position  
12 that we have an unfettered right to cross-examine on  
13 that evidence, that it has not been dealt with yet in  
14 these proceedings.

15 MR. CASTRILLI: Mr. Chairman, let me add  
16 my view that as I recall the evidence in Panel 4,  
17 neither of these two matters were dealt with in the way  
18 they are stated here.

19 THE CHAIRMAN: Well, certainly if there  
20 is evidence that Mr. Cary relied upon and it has not  
21 been dealt with in Panel 4, but it is evidence used by  
22 this panel and they relied on it to reach their  
23 conclusion, the parties should have an opportunity to  
24 examine Mr. Cary on the basis of what information he  
25 provided them.



1 MS. BLASTORAH: Mr. Chairman, I will make  
2 those inquiries of Mr. Cary and attempt to determine  
3 exactly what the basis of those statements or whatever  
4 he advised the panel.

5 THE CHAIRMAN: All right. Counsel, so  
6 the Board will leave it that if this information was  
7 provided by Mr. Cary, inquiries will be made as to what  
8 it is and you will have the right to cross-examine Mr.  
9 Cary on that evidence, hopefully at some future time  
10 when he is called as part of another panel.

11 MR. CASTRILLI: Mr. Chairman I might --

12 MR. CAMPBELL: That will be perfectly  
13 satisfactory with me.

14 MR. CASTRILLI: That would be acceptable.  
15 I was going to suggest that Mr. Cary is due back at  
16 some point to be cross-examined on his evidence last  
17 week and that might be the appropriate time.

18 THE CHAIRMAN: All right. We want to try  
19 and avoid, as much as possible, recalling witnesses  
20 sporadically just to answer specific questions  
21 particularly when they are going to reappear at some  
22 future date.

23 MR. CASTRILLI: Yes, I understand that.  
24 I would also hope that Mr. Cary is going to be back  
25 while I am still in attendance this month -- well, the

1 month of September, since it was my cross-examination  
2 of him that dealt with -- that resulted in the evidence  
3 he produced last week.

4 Actually I don't have an indication when  
5 he is returning.

6 THE CHAIRMAN: Do you have any  
7 indication, Mr. Freidin?

8 MR. FREIDIN: No, at the present time I  
9 don't. I must admit I hadn't thought of the concern  
10 that was just raised by Mr. Castrilli, so I wasn't sort  
11 of operating under the assumption that there was a rush  
12 to get him back in September, but let me think about  
13 that and see whether we can manage that.

14 I should advise as well that there were  
15 a number of other matters which in fact weren't dealt  
16 with by Panel No. 4 such as filing the response from  
17 the Provincial Auditor and the document is literally a  
18 foot thick. I don't know whether we need to produce  
19 all that. I am actually contemplating at the present  
20 time recalling the entire panel to deal with  
21 outstanding matters relating or arising out of Panel  
22 No. 4 because, as you were aware, there is  
23 inter-relationship between the areas of expertise of  
24 various members.

25 So I hear Mr. Castrilli and I will take

1       that into account when I determine -- make my  
2       assessment as to whether we can call that group back  
3       during September. I should advise that one of the  
4       concerns I have, of course, is that we are going to  
5       start Panel No. 6 soon, we only have a certain number  
6       of days to cross-examine the people in Panel No. 6 and,  
7       if possible, I would like that cross-examination to end  
8       by the end of September. So...

9               THE CHAIRMAN: I take it, Mr. Castrilli,  
10       you are not willing to assign your rights to  
11       cross-examination to Ms. Swenarchuk?

12              MR. CASTRILLI: I think it would be  
13       difficult to ask Ms. Swenarchuk to deal with the  
14       particular matters that arose from my cross-examination  
15       on Panel 4.

16              THE CHAIRMAN: Well, maybe we will have  
17       to import you specifically later on, if that is the  
18       only way around it.

19              I think it is important, once we embark  
20       on Panel 6, to try very hard to complete the  
21       cross-examination of Panel 6 before we break for  
22       October; otherwise, I think there will be a certain  
23       amount of rehashing to get everyone back on track when  
24       we come back, whenever that appointed date of our  
25       coming back is determined, I suppose after Thursday's

1 discussion.

2 MR. CASTRILLI: Thank you.

3 Q. Page 208 of your evidence, Mr.

4 Duncanson. The top paragraph on that page you indicate  
5 that:

6 "The investment climate for the Ontario  
7 forest products industry is favourable."

8 And could I just ask you also to turn to  
9 Exhibit 61, page 77.

10 MR. DUNCANSON: A. What was the page  
11 number again?

12 Q. Page 77.

13 Q. It is under the heading of Investment  
14 Climate on that page, the first sentence reads:

15 "Ontario does not enjoy a healthy  
16 investment climate in the forest products  
17 sector."

18 Would you agree with me, first of all,  
19 that your report and the Woodbridge Reed Report clearly  
20 do not agree on this point?

21 A. That's correct.

22 Q. Would you also agree with me that the  
23 contrasting views of this report on that issue, for  
24 example, and also on a number of other issues such as  
25 competitiveness which we dealt with yesterday,



1 competitiveness of the industry, can lead to two  
2 different conclusions regarding how much wood should be  
3 cut from the Crown forests to meet demand, real or  
4 imagined?

5 A. Could you repeat that once more,  
6 please?

7 Q. Sure. Would you agree with me that  
8 the contrasting views on, for example, this point  
9 investment climate and also on the issue of  
10 competitiveness which we dealt with yesterday;  
11 competitiveness of the industry that is, can lead to  
12 different conclusions regarding how much wood should be  
13 cut from Crown forests to meet demand?

14 A. I would agree that the Woodbridge  
15 Reed Report and our report, we are in disagreement on  
16 several factors. However, as far as those factors  
17 affect demand on supply; that is -- you know, again  
18 that is out of our area of expertise, we don't set  
19 policy.

20 Q. Well now, you did give evidence  
21 however on page 206 with respect to the issue of  
22 supply, so it is a natural projection of your evidence.

23 A. Supply is a policy decision.

24 Q. I recognize that, I am asking you:  
25 Will the inevitable results of the differing

1 conclusions that you provide in your evidence, Exhibit  
2 191, and the evidence that we find in Exhibit 61 on,  
3 for example, investment climate, competitiveness - just  
4 to name two - would result in differing conclusions  
5 regarding the amount of wood that should be cut from  
6 the forests, Ontario's Crown forests.

7 Is that a fair inference?

8 MS. BLASTORAH: Mr. Chairman, again this  
9 is an area Mr. Duncanson has indicated he is not  
10 qualified to answer and I think he has already  
11 indicated that the statement of supply was based on  
12 information supplied to him by the Ministry and was not  
13 within his area of expertise, it is not information he  
14 determined for himself. So I don't think referring him  
15 back again to that statement is a basis for this  
16 question.

17 THE CHAIRMAN: Well, Mr. Castrilli, do  
18 you want anything more from the panel other than saying  
19 that if either they, based on information supplied to  
20 them or Woodbridge Reed, based on their  
21 interpretation - whichever one is correct - would  
22 affect the amount of wood required to be cut in Ontario  
23 Crown forests.

24 Do you want anything more than that?

25 MR. CASTRILLI: I don't want anything

1 more than that.

2 THE CHAIRMAN: Well, I think that is  
3 almost self-evident that the present panel can answer.

4 MR. CASTRILLI: But I want an answer to  
5 the question, I don't want an objection. I don't  
6 believe an objection is warranted.

7 THE CHAIRMAN: Do you understand that  
8 question, Mr. Duncanson?

9 MR. DUNCANSON: It would help if he could  
10 repeat it one more time.

11 MR. CASTRILLI: Surely, surely.

12 Q. Would you agree with me that the  
13 contrasting views that we find in the Woodbridge Reed  
14 Report and your report arising from such matters as  
15 investment climate and competitiveness, which we  
16 discussed today and yesterday, respecting the forest  
17 products industry can lead to different conclusions  
18 regarding how much would should be cut from the Crown  
19 forests?

20 Yes or no?

21 MR. DUNCANSON: A. Yes.

22 MR. CASTRILLI: Mr. Chairman, not only is  
23 this a convenient place for a break, I am through with  
24 my cross-examination.

25 THE CHAIRMAN: Very good. On that note

1 we shall celebrate by taking a break for 20 minutes and  
2 then we shall return and proceed with Mr. Campbell.

3 MR. COSMAN: Mr. Chairman, if I can just  
4 ask at the break those people who wish to attend  
5 tomorrow would speak to me and give me their names so I  
6 can provide that to security and for logistic reasons  
7 to the mill.

8 THE CHAIRMAN: Very well. We will be  
9 back in 20 minutes.

10 ---Recess taken at 11:00 a.m.

11 ---Upon resuming at 11:25 a.m.

12 THE CHAIRMAN: Thank you. Be seated,  
13 please.

14 Very well, Mr. Campbell.

15 MR. CAMPBELL: Thank you, Mr. Chairman.

16 CROSS-EXAMINATION BY MR. CAMPBELL:

17 Q. Panel, in case you haven't been  
18 advised - I expect probably you have - but just in case  
19 you haven't, I represent the Minister of the  
20 Environment in these proceedings.

21 I would like you to turn, please, to page  
22 45 of Exhibit 191 which is the Panel 5 evidence. As I  
23 understood your evidence, the forest industry is  
24 divides into three broad categories: logging, wood  
25 industry, and paper and allied industries; is that



1 correct, Ms. Coke?

2 MS. COKE: A. That is the way Statistics  
3 Canada defines the forest products industry, correct.

4 Q. Well is there any aspect that you  
5 would consider as being part of the forest industry  
6 that is not captured by this diagram? Is there  
7 something missing?

8 A. No, I accept this definition.

9 Q. All right. Now, in terms of what  
10 this undertaking is all about, it in general terms is  
11 about the use of Crown forests to provide raw material  
12 for the wood industry and the paper and allied  
13 industries. I take it you wouldn't dispute that  
14 proposition?

15 A. As I understand it, that's the  
16 purpose of the undertaking, to provide a continuous  
17 supply of wood for the forest products industry.

18 Q. All right. And you would agree with  
19 me that the undertaking itself takes place entirely  
20 within the logging portion of the industry as shown on  
21 Figure 1 on page 45?

22 A. I am sorry, I don't quite -- I don't  
23 think I understood that. Can you try that again?

24 Q. Well, the undertaking --

25 A. The activity of supplying wood? In

1 other words, the supply of the wood is, of course,  
2 facilitated through the logging end, that's correct.

3 Q. All right. But the activities that  
4 are contemplated by the undertaking, I would ask you to  
5 confirm, take place entirely within the logging portion  
6 of what is shown on this figure; is that correct?

7 That is, there is no approval being  
8 sought in these proceedings with respect to either the  
9 wood industry or the paper and allied industry?

10 A. I --

11 MS. BLASTORAH: Mr. Chairman, I think  
12 that we are not in dispute with that. I don't know  
13 that Mrs. Coke is in a position to answer that--

14 MRS. COKE: I don't know what it means.

15 MS. BLASTORAH: --but I think the  
16 Ministry is in agreement.

17 MR. CAMPBELL: Q. But, Ms. Coke, I do  
18 not want to understand clearly from you that the  
19 activity of providing that supply of wood, I would ask  
20 you just to confirm clearly, takes place entirely  
21 within that logging category shown on the diagram on  
22 page 45.

23 MS. COKE: A. It is in the logging  
24 activity that the roundwood is provided, yes, of  
25 course.

1 Q. And it is entirely within that  
2 category?

3 A. It would seem so. I mean...

4 Q. Well, is it or isn't it?

5 A. Yes, I would presume so, yes.

6 Q. Well --

7 A. I guess I don't understand your  
8 question.

9 MS. BLASTORAH: Mr. Chairman --

10 MR. CAMPBELL: I think it is a fairly  
11 simple question.

12 THE CHAIRMAN: Just hold on a second, Mr.  
13 Campbell. Let's try and straighten it out.

14 I think, frankly, it is a matter of Ms.  
15 Coke not being here for the previous evidence that has  
16 come in where -- particularly, the very early panels  
17 where the undertaking and the related activities to the  
18 undertaking were discussed.

19 MR. CAMPBELL: That's perfectly fair, Mr.  
20 Chairman.

21 MS. BLASTORAH: Mr. Chairman, I would  
22 just like to point out that the activities which are  
23 part of the -- the four activities in this undertaking  
24 are harvest, access, maintenance and renewal, and Mrs.  
25 Coke certainly isn't a forester and hasn't been

1 qualified as such.

2 And whether she's qualified to testify as  
3 to whether silviculture is part of logging or  
4 maintenance or tending are part of logging, I don't  
5 think she is qualified and I think that she --

6 THE CHAIRMAN: Well, Mr. Campbell, would  
7 you not be happy with the Ministry indicating their  
8 position is, is that those activities fall within the  
9 logging sector, if that's the Ministry's position.

10 MR. CAMPBELL: That's entirely  
11 satisfactory. I want to be clear that this witness has  
12 given us three categories and that the undertaking of  
13 those three categories takes place within the category  
14 of logging and does not take place within the category  
15 of wood industries and paper and allied industries.

16 If the Ministry will agree to that, then  
17 that's fine.

18 MS. BLASTORAH: I certainly want to be  
19 clear as to what Mr. Campbell is getting at. Because  
20 if he is attempting to -- or if he is implying that  
21 maintenance, for instance, herbicide spraying and  
22 silviculture and, you know, some of those other aspects  
23 of the activities are part of logging, I don't think  
24 the Ministry necessarily agrees with that in terms of  
25 logging as defined in -- as part of the industry.



1                   So I am not just sure where he is going.  
2           I don't think -- it depends on how general his question  
3           is I guess, but...

4                   MR. CAMPBELL: Mr. Chairman, I am not --  
5           I don't think it is really very relevant where I am  
6           going or where I am not going.

7                   THE CHAIRMAN: Well, we have to  
8           understand your question, the witness has to understand  
9           the question so she, or the Ministry on her behalf, if  
10          that is acceptable, can provide an answer.

11                  MR. CAMPBELL: All right. In terms of --  
12          maybe I will rephrase it and see if I can come at it.

13                  Q. In terms of the economic activity  
14          associated with the undertaking, am I correct in my  
15          understanding that the economic activity associated  
16          with the undertaking itself takes place not in the wood  
17          industries category, not in the paper and allied  
18          industries category, but within the logging category  
19          itself?

20                  MS. COKE: A. If you are talking about  
21          the supply of roundwood to the forest products  
22          industry, that occurs in the logging component.

23                  Q. Well, is the undertaking -- should I  
24          amend the definition of the undertaking so that it is  
25          the supply of roundwood to the forest products

1 industry?

2 A. Well, if you are talking about the  
3 supply of wood to the forest products -- or to the  
4 industry, that would occur in the logging component  
5 according to Statistics Canada definition of what the  
6 logging component includes.

7 THE CHAIRMAN: And which you accept?

8 MS. COKE: And what I accept.

9 MR. CAMPBELL: I think I have what I  
10 asked for.

11 Q. Now, Mr. Duncanson, I think this  
12 question is for you and it ties to the use of wood.  
13 And I guess the question simply put is whether the wood  
14 industry and the paper and allied industries are  
15 subject to any controls from MNR or any other agency to  
16 ensure that the wood produced on Crown lands is used  
17 efficiently?

18 MS. BLASTORAH: Mr. Chairman, again, I  
19 don't think this is something within the area of  
20 expertise of these witnesses.

21 MR. CAMPBELL: Well, Mr. Chairman, the  
22 witness outline -- the outline for this panel states  
23 that this panel will provide a description of the  
24 nature of Ontario forest products industry as it exists  
25 today, the socio-economic contribution to the Canadian

1 economy and, particularly, factors that affect the  
2 competitiveness of the industry.

3 My question is based on all of those  
4 areas as set out in the description of what this panel  
5 is going to cover and it is simply that in the use of  
6 wood produced on Crown lands by the industry, is there  
7 any control exerted by MNR or any other agency external  
8 to the companies to ensure that that is used  
9 efficiently.

10 THE CHAIRMAN: Within the knowledge of  
11 this panel?

12 MR. CAMPBELL: That's correct, Mr.  
13 Chairman.

14 THE CHAIRMAN: If you can't answer it,  
15 Mr. Duncanson, or any members of the panel, then simply  
16 so state.

17 DR. ANDERSEN: I don't know.

18 MS. COKE: And I don't know.

19 MR. DUNCANSON: I can't answer that  
20 either.

21 MR. CAMPBELL: Can I get some indication  
22 from Ms. Blastorah as to who would be able to answer  
23 that question?

24 MS. BLASTORAH: Mr. Chairman, I think all  
25 of our evidence cumulatively taken on all the panels

1 together is directed toward answering that question.

2 And about all I can say at this point is  
3 that these witnesses are not qualified to answer it,  
4 and I think that that is something that will come from  
5 the evidence as a whole.

6 MR. CAMPBELL: Well, could I get -- what  
7 I am asking for, Mr. Chairman, is some direction as to  
8 who can advise us and, more importantly, the Board as  
9 to whether MNR or any other agency external to the  
10 company has in place any system to ensure that the wood  
11 produced on Crown lands is used efficiently.

12 It is quite a specific question and with  
13 respect, Mr. Chairman, I think I am entitled to know  
14 where in the evidence I might expect the witness who I  
15 can put that question to. If there is no such  
16 capability, then that's fine.

17 MR. COSMAN: Mr. Chairman, without  
18 interrupting my friend's cross-examination, I just  
19 don't understand the question. What does he mean by  
20 efficiently, just so that we understand what is being  
21 addressed.

22 MR. CAMPBELL: Well, I will turn back to  
23 the Ministry's evidence on the OWOSFOP model that  
24 indicated that there were increased utilization rates  
25 for wood supplied to the mill and that that would



1       affect the amount of wood that the industry required to  
2       produce a given amount of product.

3                       That is certainly -- that is what this  
4       question is aimed at and my question is quite simply:  
5       Is there any -- is that decision as to the efficiency  
6       of mill operations that use the wood from Crown lands  
7       left entirely to the discretion of the company?

8                       If it is, that's fine, that's the answer.  
9       I just am asking whether there is any control over  
10      that.

11                      THE CHAIRMAN: Well, just a moment. We  
12      will endeavour to find out from the Ministry what their  
13      position is.

14                      MR. COSMAN: I think this is an important  
15      question. I am not sure because I don't quite  
16      understand it in full, but is my friend saying: Do the  
17      mill operators use all of the wood in the manufacturing  
18      process? Is that what his question is directed to?

19                      THE CHAIRMAN: No, I think his question,  
20      Mr. Cosman, is basically: Does MNR for any other  
21      agency have any method or process in place whereby they  
22      can monitor and check whether or not the wood used by  
23      industry is used efficiently.

24                      MR. COSMAN: The question is --

25                      THE CHAIRMAN: Is that your question

1       basically, Mr. Campbell?

2                   MR. COSMAN:  Is there an efficiency  
3       expert, like on a line to find out whether -- is that  
4       what the question is?

5                   THE CHAIRMAN:  Or a process.

6                   MR. CAMPBELL:  Mr. Chairman, let me be --  
7       it is pretty simple, I think, it is not this  
8       complicated.  It is simply a question of the Crown  
9       forests are being used to provide wood to my friends in  
10      the industry.  They use that wood in any industrial  
11      process, there is more efficient ways of doing it and  
12      less efficient ways of doing it in terms of the amount  
13      of product that you get out of the amount of wood that  
14      you put it.

15                   My simple question is:  Is there anybody  
16      who both monitors the efficiency of the use of wood  
17      from Crown land and, if monitored, are there any  
18      regulations or any other methods of control or sanction  
19      that apply if that is being used inefficiently.

20                   That's my question.  I don't think it is  
21      that complicated.

22                   MRS. KOVEN:  Well, certainly one way of  
23      looking at that question is to look specifically at  
24      mill waste, the practices that involve possible mill  
25      waste, and I would think that Mr. Duncanson could

1 address himself to that. And maybe with respect to the  
2 modernization program that he has been talking a great  
3 deal about in the last couple of days.

4 I mean, that is one way of looking at it,  
5 but there are obviously many ways of looking at  
6 efficiency and I, too, don't quite understand what all  
7 those meanings might be.

8 MS. BLASTORAH: Mr. Chairman, if that is  
9 what Mr. Campbell's question is addressed to, perhaps  
10 Mr. Duncanson can give us whatever information he is  
11 able. If Mr. Campbell is actually intending to address  
12 efficiency at the bush level, the extraction, I can  
13 advise him --

14 THE CHAIRMAN: No, I think he is looking  
15 at the user level.

16 MR. CAMPBELL: I never raised the bush  
17 level, Mr. Chairman.

18 MS. BLASTORAH: Well, if he's talking  
19 about the mill level, perhaps Mr. Duncanson can answer  
20 it in the context of Mrs. Koven's question.

21 MR. DUNCANSON: The marketplace itself I  
22 think is the important feature and the marketplace  
23 dictates, I guess, the degree of efficiency which could  
24 mean degree of profitability of the industry.

25 The industry, you know, responds to

1 market demands, technological changes as well and  
2 technological changes have, as you put quite correctly,  
3 have led to a better usage of all parts of the raw  
4 material and I refer specifically to thermomechanical  
5 pulping, the use of the bark, whether it be a pulp  
6 operation or saw mill operation in co-generation power  
7 in the recovery process, in the pulping processes.

8           You know, they basically are using  
9 everything they can. They actually sell the byproduct  
10 turpentines and byproduct chemicals from the pulping  
11 system are sold -- are marketed. In fact the mill you  
12 will see tomorrow, if the market price is not such that  
13 they can make profits from their -- some of their  
14 turpentines and such, they recirculate them into their  
15 recovery boilers and they use them as a source of fuel.

16           It is a very -- you know, there are  
17 different aspects of how far we can get into this  
18 efficiency.

19           MR. CAMPBELL: Q. Well, obviously, it is  
20 in the company's economic self interest, as well as  
21 achieving a variety of other desirable purposes, that  
22 the wood be used as efficiently as possible. You would  
23 agree with that proposition?

24           MR. DUNCANSON: A. I would agree with  
25 that, yes.



1                   Q. Can I take it from your answer,  
2                   though, that in terms of my original question, that the  
3                   efficiency of the use of the wood from Crown lands is  
4                   entirely left to the companies, recognizing that the  
5                   companies have a powerful incentive to use it as  
6                   efficiently as possible?

7                   A. I tend to restate that it is the  
8                   market and its the management's interpretation of those  
9                   markets.

10                  Q. All right. But in answering my  
11                  question then it is left entirely to the discretion of  
12                  the company in making its management decisions; there  
13                  is no external agency--

14                  A. No.

15                  Q. --either monitoring or controlling  
16                  that?

17                  A. No. It is the market, it is the  
18                  changes in technology, it is the end customer that is  
19                  dictating, you know, the product in the shape and form  
20                  it comes out at.

21                  Q. So the simple answer to my question  
22                  is: No, there are no external controls in place to  
23                  either monitor or ensure that certain levels of  
24                  efficiency are achieved?

25                  A. Well, I consider the marketplace to

1 be an external factor.

2 Q. All right. But apart from the  
3 economic forces of the marketplace, are you telling me  
4 that there are no other agencies involved in monitoring  
5 or controlling the efficiency of the use of wood from  
6 Crown lands. Is that what you are saying?

7 A. That's what you are saying. I have  
8 no knowledge of any agencies monitoring efficiencies.

9 THE CHAIRMAN: I think that is what he is  
10 saying, Mr. Campbell. Other than market forces to  
11 which he has already alluded, he is not aware of any  
12 other external agencies.

13 Would that be correct, Mr. Duncanson?

14 MR. DUNCANSON: That is correct. Thank  
15 you very much.

16 MR. CAMPBELL: Q. I want to turn then,  
17 Mr. Duncanson, to your material at page 207. Now,  
18 there you indicate that:

19 "Labour and environmental regulations  
20 have a history of changing and the result  
21 is uncertainty for the industry. This  
22 can..."

23 And I emphasize the word can:

24 "...have a negative impact on investment  
25 decisions."

1                   Do you see that paragraph at the bottom  
2   of the page?

3                   MR. DUNCANSON:   A.   Yes.

4                   Q.   Now, I am not clear what your  
5   evidence is with respect to environmental regulation  
6   and I guess the easiest way to come at is this:  Can  
7   you give any specific examples of where a decision was  
8   made not to invest because of a concern about changes  
9   in environmental regulations?

10                  A.   I might just clarify that by  
11   environmental regulations I meant environmental  
12   regulations at the mill level.

13                  Q.   Fine.

14                  A.   No, I can't think of any examples.

15                  Q.   And can you give any specific  
16   examples where a concern about changes in environmental  
17   regulations played any significant role in a decision  
18   to forego investment?

19                  A.   No, I am not familiar with any.

20                  Q.   All right.  Now, what do you mean  
21   when you say change frequently -- environmental  
22   regulations change frequently?  What kind of time  
23   period are you talking about in this?

24                  A.   I don't see the word frequently in  
25   that paragraph.

1 Q. I am sorry. I will leave it then to  
2 just the words in the paragraph. What time period  
3 would you see as being of concern with respect to  
4 changing environmental regulations?

5 A. As we stated in our report, in our  
6 interviews with the industry we basically came to the  
7 conclusion or led to the conclusion that investment in  
8 plant and equipment was of the longer-term investment  
9 nature; i.e., 20 years plus.

10 The industry in our research mentioned  
11 that the changes in environmental regulations at the  
12 mill level was a negative impact upon their investment  
13 decision. I would tend to think that the time frame  
14 would therefore be the 20-year period.

15 Q. All right. But you have already that  
16 agreed you are unable to give any specific examples of  
17 any investment decision which was in any way  
18 significantly related to that concern. I think you  
19 have agreed with that proposition; have you not?

20 A. I don't know of any examples.

21 Q. That's right, you are unable to give  
22 any examples along the lines I outlined; correct?

23 A. Yes.

24 Q. Now, can you -- would you agree that  
25 environmental regulation is a matter of interest to the



1 industry?

2 A. Yes, I think it is.

3 Q. And in your role as a financial  
4 analyst of the industry, environmental regulation would  
5 also be a matter of interest to you?

6 A. As far as it affects the  
7 competitiveness and the financial position of the  
8 company, yes, it would.

9 Q. Can you give me any specific example  
10 of where a change to environmental regulations in  
11 Ontario has negatively affected the competitiveness or  
12 financial position of firms in the wood industries or  
13 in the paper and allied industries?

14 A. Examples of -- sorry, can you repeat  
15 the first part of the question?

16 Q. It won't come out exactly the same  
17 because I don't have it written down. The question has  
18 been adjusted to accommodate your last answer, so --  
19 Dr. Andersen, do you have expertise in this area?

20 DR. ANDERSEN: A. No, I haven't.

21 Q. All right. I would like Mr.  
22 Duncanson's answer then, please.

23 Now, I think the question I want to ask  
24 is this: Can you give specific examples of instances  
25 in Ontario where changes to environmental regulations

1 in Ontario have negatively affected either the  
2 competitiveness or financial position of industries in  
3 the wood industry -- or firms rather, in the wood  
4 industry or in the paper and allied products  
5 industries?

6 MR. DUNCANSON: A. I can't give any  
7 present day examples.

8 Q. And do you anticipate -- are you  
9 contemplating any future examples? Can you point to  
10 examples that you see on the horizon where this is  
11 likely to be a concern?

12 A. I am not that well versed in this  
13 area, as you can see, and I don't have any future  
14 viewpoint.

15 THE CHAIRMAN: Are you, Mr. Campbell,  
16 going as far as speculating about the possible  
17 financial impacts of the Environmental Assessment Act  
18 itself in that kind of question?

19 MR. CAMPBELL: Apart from having to pay  
20 Mr. Cosman's fees, I am not sure, Mr. Chairman.

21 I do not take this sentence under labour  
22 environmental regulations to refer to that; I take it  
23 to refer to controls at the mill level, as I think Mr.  
24 Duncanson was careful to qualify his answer.

25 MR. DUNCANSON: This information, by the

1 way, was obtained through our industry interviews.

2 MR. CAMPBELL: Q. All right, but you are  
3 putting it forward, Mr. Duncanson, and you are the only  
4 one I have here to cross-examine.

5 Now, you have been able to give me no  
6 examples of where any of these concerns have affected  
7 the industry in any way, and I would ask you the  
8 general question that where there is a better  
9 understanding of an environmental problem, where we  
10 have achieved a better knowledge of an environmental  
11 problem, are you suggesting to this Board that that  
12 better understanding shouldn't be reflected in  
13 appropriate environmental regulations after an  
14 appropriate opportunity for consultation on those  
15 regulations with the industry?

16 MR. DUNCANSON: A. These are some pretty  
17 tough questions. The environmental regulation at the  
18 mill level in Ontario is not as favourable as it is in  
19 other jurisdictions. It has resulted in - and, again,  
20 this is difficult to document and the data is not  
21 readily available - but I have to take from what we  
22 gained in our industry interviews that it has affected  
23 investments in plant and equipment in Ontario.

24 Q. But you are completely unable to give  
25 me any specific examples of that; isn't that your

1 testimony?

2 MS. BLASTORAH: Mr. Chairman, I think he  
3 has already indicated several times that this is based  
4 on information obtained from industry and surely they  
5 are the ones making the investment decisions, not Mr.  
6 Duncanson.

7 MR. CAMPBELL: With respect, Mr.  
8 Chairman, this witness is speaking to this matter.

9 THE CHAIRMAN: Okay, Mr. Campbell, just  
10 hold on a minute. The witness I think has clearly  
11 indicated he has obtained this information or certain  
12 information from industry interviews. He cannot cite a  
13 specific example in present day terms of where that  
14 type of concern has led to an impact on an investment  
15 decision.

16 He also, I think, has clearly stated that  
17 he cannot foresee necessarily a specific example in the  
18 future, in general terms. So beyond that, I mean, he  
19 has answered those questions.

20 MR. CAMPBELL: All right. And I had  
21 moved on from that point, Mr. Chairman, in fairness to  
22 my question, I think and I just point out that my  
23 questions are aimed -- this Ministry will put in place  
24 what it feels to be appropriate environmental  
25 regulation.



1                   The question that I have been asking  
2                   questions about is not the level of appropriate  
3                   environmental regulation, it is this concern about the  
4                   history of changing and the effect of that on  
5                   investment decisions. And this witness is put forward,  
6                   as I understand it, as MNR's expert witness qualified  
7                   to give opinion evidence on investments in this  
8                   industry. And, with respect, I think it is extremely  
9                   significant that he is completely unable to cite any  
10                  examples of where there has been any impact whatsoever  
11                  on those investment decisions.

12                 And I am prepared to leave it at that,  
13                 but I am not leaving it at the question that I asked,  
14                 which was whether, Mr. Duncanson, you are suggesting in  
15                 any way to this Board that where a better understanding  
16                 of an environmental problem is achieved -- where we  
17                 achieve a better understanding of an environmental  
18                 problem, are you suggesting in any way that that should  
19                 not be reflected in appropriate environmental  
20                 regulation after appropriate consultation with the  
21                 industry?

22                 THE CHAIRMAN: That answer can probably  
23                 be a yes or no answer, Mr. Duncanson.

24                 MR. DUNCANSON: It would be pretty hard  
25                 to disagree with that.

1 MR. MARTEL: Well, can I ask a question?

2 MR. CAMPBELL: Q. Well, is that a no,  
3 you make no such suggestion; is that correct?

4 MR. DUNCANSON: A. No, that's... yes.

5 MR. MARTEL: Can I ask a question then  
6 because, are you talking about the type of  
7 investment -- when you spoke to the industry where in  
8 fact they were forced to install, for example,  
9 environmental control equipment, is that the type of  
10 investment that they were referring to when they talked  
11 about having to invest money because of the changes in  
12 the regulations?

13 MR. DUNCANSON: That is correct, it was  
14 primarily investment in plant and equipment towards the  
15 environmental...

16 MR. MARTEL: And that was based on the  
17 fact, I think you just said a moment ago, that in other  
18 jurisdictions the demands were not as great maybe?

19 MR. DUNCANSON: Or there were no demands.

20 MR. MARTEL: Or there were no demands.

21 MR. DUNCANSON: Now, I have examples of  
22 those type of investment decisions and I think it is  
23 fairly evident from what we have been reading in  
24 newspapers and such.

25 MR. CAMPBELL: Mr. Chairman, Mr. Freidin

1 and I seem to have some confusion between us as to  
2 exactly what the answer was -- we expected the last  
3 question so...

4 THE CHAIRMAN: We took it that the  
5 witness stated that he is not inferring any inference  
6 that there should not be appropriate regulations  
7 enacted as the Ministry gains a better understanding of  
8 environmental concerns after, in accordance with your  
9 question, due consultation with the Ministry.

10 MR. CAMPBELL: Thank you.

11 MR. DUNCANSON: That is correct.

12 MR. CAMPBELL: Q. Now, Ms. Coke, you  
13 provided us with a range of statistics relating to the  
14 current state of Ontario's forest products industry; is  
15 that correct?

16 MS. COKE: A. I did. Yes, I gave  
17 historical data on the forest products industry as  
18 current to about 1984-85.

19 Q. All right. Now, how do you recommend  
20 that the information that you have provided is of use  
21 to the Board in making decisions with respect to timber  
22 management?

23 A. Well, I thought I set that out at the  
24 beginning what it was for on purpose.

25 MS. BLASTORAH: Mr. Chairman, I think we

1 did outline in our opening remarks that this was  
2 intended by way of background and surely it should be  
3 up to the Board to decide what they want to do with it,  
4 it is not up to Mrs. Coke.

5 MR. CAMPBELL: Well, I am not asking Mrs.  
6 Coke to make the decision of the Board, Mr. Chairman.  
7 I am saying that we have had a vast array of  
8 statistical information put before us and I think it is  
9 quite appropriate to ask a witness:

10 What are the appropriate uses and  
11 conclusions which can be drawn from that information  
12 and, more importantly, what cannot.

13 THE CHAIRMAN: Well, there is a lot of  
14 different data put before us, Mr. Campbell.

15 MR. CAMPBELL: Exactly.

16 THE CHAIRMAN: I am sure the data can be  
17 used for a variety of different purposes.

18 MR. CAMPBELL: That is just what I would  
19 like to know. I would like Ms. Coke to outline those,  
20 please.

21 MS. BLASTORAH: Maybe he can put a more  
22 specific question to the witness, it would be helpful.

23 MR. CAMPBELL: Well, I am not required to  
24 do that, Mr. Chairman. This witness has put forward a  
25 range of data. I am entitled to ask what conclusions



1 should the Board draw from that evidence with respect  
2 to the undertaking which is timber management.

3 THE CHAIRMAN: But I think you have to be  
4 a little more specific, Mr. Campbell, as to what  
5 specific data you are referring to.

6 I mean, she has put together -- or this  
7 panel has put together a variety of different data.  
8 Surely, the purpose of this data does not apply  
9 equally, if it applies at all, to the timber management  
10 undertaking, and I think you have to sort of refer her  
11 to a specific type of data and ask her if that data can  
12 be used, in her view, towards assisting us in dealing  
13 with the undertaking before us.

14 MR. CAMPBELL: All right.

15 Q. Ms. Coke, if you would turn to the  
16 Table of Contents of your paper which can be found at  
17 page 31.

18 MS. COKE: A. Okay, I have it.

19 Q. Do you have it?

20 A. Yes, I do.

21 Q. Under the heading: Features of the  
22 Ontario Forest Products Industry, you discuss its  
23 contribution and there are several pages of information  
24 giving estimates of economic activity and so on  
25 relating to its contribution.

1                   In what way can the information contained  
2                   in that section be of assistance in making decisions  
3                   with respect to timber management?

4                   A.   Actually, what I was trying to do was  
5                   give the Board, as I said at the beginning of my  
6                   presentation, just an overview of the statistics of the  
7                   forest products industry, some of its recent history  
8                   and, in that particular section, I wanted to outline  
9                   the data that was available on its contribution to  
10                  value added in the economy overall, its place as an  
11                  employer in the province, it's indirect impact on the  
12                  economy of Ontario and of Canada, and the role that it  
13                  plays in the Canadian forest products industry.

14                  Just basically statistics on the  
15                  background of this industry and where it fits in the  
16                  economy.

17                  Q.   All right.   But with respect to the  
18                  choices -- let me come at it slightly differently:

19                  With respect to the choices that are  
20                  available with respect to conducting timber management  
21                  in this way or that way, would you agree that this  
22                  information - and I will widen it to your whole report  
23                  if you like - that this information does not provide  
24                  any analysis of the advantages and disadvantages of one  
25                  set of choices with respect to conducting timber

1 management as opposed to another set of choices with  
2 respect to timber management?

3 A. I was not asked to look at timber  
4 management or timber supply or any of the questions of  
5 the supply side of the issue, I was simply asked to  
6 give information on the industry and basically into  
7 which this wood is flowing. That is really what I was  
8 asked to look at.

9 Q. All right. Can I take it then that  
10 you would agree that the information that you have  
11 provided does not assist in evaluating the advantages  
12 and disadvantages of the sets of choices that are  
13 available with respect to timber management?

14 A. Yes, I guess I would have to agree  
15 with that, it was not intended to do that.

16 Q. That is fine. I just want to be sure  
17 that we agree what it can't in fact be used for.

18 A. Mm-hmm.

19 Q. Thank you. And you don't wish to  
20 qualify that answer in any way?

21 A. I was asked to provide the Board with  
22 the basic statistics on the industry.

23 Q. I understand that.

24 A. That is what I was asked to do.

25 Q. I understand that.

1                   A. And I was not -- I am not competent  
2 to address issues of how the industry should be  
3 supplied and what would be an appropriate way to get  
4 the wood to the mill door. All I was asked to look at  
5 was: Who works in those mills, where are they located,  
6 what do they do with the wood, what products do they  
7 produce. That is all I was asked to do.

8                   Q. All right. But I would kind of like  
9 an answer to my question.

10                  A. I think I am answering your question.

11                  Q. All right. Well, I asked you whether  
12 you agreed that the information in your report was not  
13 of assistance in evaluating the advantages and  
14 disadvantages of the choices, different choices that  
15 could be made in timber management and you agreed with  
16 that proposition?

17                  THE CHAIRMAN: And that is your opinion?

18                  MS. COKE: That is my opinion.

19                  THE CHAIRMAN: Whether we agree with that  
20 opinion or not is a different question.

21                  MR. CAMPBELL: That is...

22                  MR. COSMAN: Mr. Chairman, this is a  
23 matter of legal argument. It is matter of applying the  
24 criteria of the Act, it is not a question of whether or  
25 not, in particular, as to the relevance of this



1 documentation this is not a matter for -- this  
2 cross-examiner cannot ask this witness: Should the  
3 Board not take this into account. That is not for --  
4 this witness to decide.

5 MR. CAMPBELL: I did not --

6 THE CHAIRMAN: Just a moment, gentlemen.  
7 I don't think Mr. Cosman, Mr. Campbell is asking that,  
8 he is asking for this witness' opinion simply as to  
9 whether or not she believes that this information can  
10 be used for a particular purpose to assist the Board in  
11 arriving at decisions related to timber management.

12 Whether or not we accept her opinion,  
13 whether or not we utilize this information in whatever  
14 way she suggests, is completely up to the Board and, I  
15 would suggest, to some extent it is up to counsel to  
16 make argument at the end of the day as well as to how  
17 it should be used or how it should not be used. And  
18 then at the end of argument the Board again will  
19 utilize its own judgment as to how it should be  
20 appropriately used or not used.

21 MR. CAMPBELL: I don't disagree with any  
22 of that, Mr. Chairman, but I would -- I am not going to  
23 let Mr. Cosman's remarks go by without saying that  
24 where volume of information of this type is put forward  
25 by an expert qualified to give opinion evidence, I am

1 surely entitled to examine what, in the view of that  
2 expert qualified to give opinion, is or is not an  
3 appropriate use of that information.

4 My heavens, if I can't do that, I might  
5 as well go home.

6 THE CHAIRMAN: I think it is a fair  
7 question for you to ask what, in the witness' view, is  
8 the appropriate purpose for that evidence and I think  
9 that is really the gist of your question, in her view,  
10 and I think she has answered that.

11 MR. CAMPBELL: Exactly, Mr. Chairman.

12 Q. Now, Ms. Coke, so I understand the  
13 scope of your report, am I also correct that the report  
14 does not analyze in terms of projected levels of  
15 economic activity in Ontario, or in the area of the  
16 undertaking, any different levels of activity which  
17 would occur if set A of timber management choices was  
18 made instead of set B of timber management choices?

19 MS. COKE: A. Could you please tell me  
20 what set A and set B of timber management choices  
21 means?

22 Q. I think, Ms. Coke, I am going to ask  
23 you, for the purposes of my question, just to assume  
24 that they are different. They are different sets of  
25 timber management choices. Just assume that for the

1 purposes of my question.

2 A. What does a timber management choice  
3 mean, though? I am not a forester, I don't know what  
4 it means. Does it mean -- what does it mean? It  
5 doesn't mean anything to me. I am not an expert in  
6 that, so I need a little help.

7 Q. Well, timber management is a defined  
8 term in the undertaking, so can you turn to your  
9 Environmental Assessment.

10 A. Okay.

11 Q. It consists of four things.

12 A. What page -- I am sorry, what page  
13 are you on?

14 Q. Page 9. It consists of four things;  
15 it consists, first, of provision of access to  
16 harvestable timber and you would agree, I take it, as a  
17 general proposition that there are different degrees of  
18 access that could be provided or different types of  
19 access that could be provided?

20 A. I understand that is the case.

21 Q. All right. And with respect to No.  
22 2, harvest of the timber for transport to wood  
23 processing facilities, there are different harvesting  
24 techniques outlined in the Environmental Assessment;  
25 are there not?

1                   A. I presume that there are different  
2 ways of harvesting. I am not an expert, as I said in  
3 this, but I presume there are.

4                   Q. I am not asking you to be an expert,  
5 but you would agree that there are different methods of  
6 harvesting for transport to wood processing facilities?

7                   A. I guess I have to accept that,  
8 mm-hmm.

9                   Q. All right. And would you agree also  
10 that there are different, for instance, different  
11 methods of renewal of the timber resource; preparing  
12 the site for regeneration and regenerating the timber  
13 by natural or artificial means, there are different  
14 ways of doing that?

15                  A. I understand that is the case.

16                  Q. And you can do it to a greater or  
17 lesser degree?

18                  A. I understand that is the case.

19                  Q. And similarly --

20                  A. You have options, yes.

21                  Q. Yes, you have options. And in terms  
22 of Item 4, maintenance of the timber resource,  
23 including tending and protection listed there, that  
24 there are different levels of maintenance that can be  
25 undertaken?



1 A. I understand that is so.

2 Q. And there are different types of  
3 maintenance that can be undertaken?

4 A. I understand that is so.

5 Q. All right.

6 A. But, again, I am not a forester and I  
7 don't know what a lot of these things really mean. I  
8 mean, I don't know what it means to tend a forest and  
9 I don't know if there is ten ways of doing it or two.

10 Q. I am not asking you any question --

11 A. All right. I don't want to mislead  
12 anybody, I certainly don't want to mislead the Board  
13 that I would know in any technical detail what those  
14 things really mean.

15 Q. All right. Now, my question is  
16 simply that there are a range of choices in each of  
17 those and you can make one set of choices or you can  
18 make another set of choices, as a general proposition?

19 A. That is true of just about every  
20 problem we face.

21 Q. Exactly.

22 A. Okay.

23 Q. Now, your study, as I understand it,  
24 has made no attempt to outline the different sets of  
25 choices that can be made and estimate the economic

1 activity differences that would arise if choice A was  
2 made versus choice B or choice C; is that correct?

3 A. That is correct.

4 Q. Thank you. Now, Dr. Andersen and Mr.  
5 Duncanson, I really sort of have the same series of  
6 questions for your study.

7 You, as I understand it, have forecast an  
8 increased demand for the products of Ontario's wood and  
9 paper and allied industries; is that correct?

10 MR. ANDERSEN: A. Not quite.

11 Q. Well, have you forecast a decreased  
12 demand for the products of Ontario wood?

13 A. I don't think you understand me.

14 Q. Well, let me put my question here.

15 A. We are making a forecast of the  
16 market, the markets served by Ontario producers, we are  
17 forecasting the market, we are forecasting U.S.  
18 consumption.

19 Q. Well...

20 A. And demand of the market. We are not  
21 saying who supplies the market, we are saying the  
22 supply of the market, from our point of view, Mr.  
23 Campbell, depends on factors such as competitiveness,  
24 market share competitiveness, ability to supply.

25 But that is not what I'm dealing with, I

1 am dealing with the markets which are presently served  
2 by Ontario producers being basically the nine states  
3 that we are looking at, with some adjustment for New  
4 York, Pennsylvania and the Ontario market itself. So  
5 we are looking at consumption in the United States of  
6 printing and writing paper, newsprint, and wood  
7 products.

8 Q. All right. But I am afraid your  
9 answer sort of startled me. Are you suggesting that  
10 simply you have presented some view as to what  
11 increased demand will be in traditional markets for  
12 Ontario products, but that you have made no link back  
13 to whether that traditional market will in fact be  
14 served by Ontario plants?

15 I took your evidence quite the contrary,  
16 that you felt that a substantial portion, that there  
17 was a significant demand going to be felt in Ontario to  
18 serve those traditional markets.

19 A. Our report is written in several  
20 sections and the section that I dealt with, as I  
21 testified on Friday, was the demand section and the  
22 other parts of the report dealing with competitiveness  
23 were dealt with by Mr. Duncanson.

24 I am dealing with the markets, the  
25 markets that are served by -- currently served by

1 Ontario producers and we see substantial growth in  
2 those markets that are basically in our backyard.

3 Q. All right. Well, I thought I had  
4 started my question by addressing it to both yourself  
5 and Mr. Duncanson, if I didn't I apologize.

6 Can I take it though that the thrust of  
7 the report on which the two of you worked is that you  
8 do forecast an increased demand for the products of  
9 Ontario's wood and paper and allied industries?

10 A. We are forecasting the U.S.  
11 consumption trends. Who supplies those trends is  
12 dependent upon factors such as competitiveness. I made  
13 it very clear in my lead evidence on Friday that I am  
14 dealing with the market, the end market, I am not  
15 dealing with fiber supply.

16 Q. Well, again, my question is directed  
17 at both of you and is -- Dr. Andersen, taking the  
18 report as a whole - and, Mr. Duncanson, if you want to  
19 contribute to this answer I would ask you to do so -  
20 but taking the report as a whole, are you suggesting  
21 that the report leads to no conclusion with respect to  
22 the demand that will be felt in Ontario with respect to  
23 those traditional markets?

24 A. The conclusions of our report, if you  
25 want to refer to that page, the conclusions of the



1 report which deal with the market and competitiveness  
2 and certainly investment activity, the investment  
3 climate is positive.

4 Q. Well, I am not sure, with respect,  
5 that that is responsive to my question. I took the  
6 thrust of much of your discussion in your direct  
7 evidence, and indeed through the report, as supporting  
8 a conclusion that the industry in Ontario would enjoy  
9 or would experience an increased demand for its  
10 products; that is, the demand would be experienced in  
11 Ontario for products to serve those markets.

12 Now, am I incorrect in that conclusion?

13 A. I think that that conclusion probably  
14 jumps over a number of considerations, Mr. Campbell.

15 Q. Well, is it wrong or is it right, in  
16 your opinion?

17 A. What we are saying is that the  
18 markets are there, the markets are growing. How those  
19 markets are served in the future I am sure depends on  
20 policy, depends on a number of complex issues which  
21 this Board is considering. We are saying the market is  
22 big, it is there, that Ontario is generally competitive  
23 and that the industry is forwardlooking and reacting to  
24 the opportunities that seem to exist at the present  
25 time.

1 Q. Well, is it fair to draw the  
2 conclusion from that, Dr. Andersen or Mr. Duncanson,  
3 that in fact Ontario's wood and paper and allied  
4 industries are likely to enjoy an increased demand for  
5 their products?

6 A. We have broken the industry down into  
7 several sections. We made it very clear that for wood  
8 products we are talking about the market being  
9 maintained. We don't know what policy decisions are  
10 going to be made with respect to wood supply, obviously  
11 that is a policy issue. There are many ifs here.

12 Q. I did not ask any question with  
13 relation to wood supply, I don't think. I think I  
14 asked whether it was fair to draw from your conclusion,  
15 and I will take what you say about the wood industries  
16 as saying that you anticipate demand in that industry  
17 to be flat.

18 A. Mm-hmm.

19 Q. But my simple question is: Is it  
20 fair to draw from all of your evidence over the last  
21 few days, and your report, that there will be an  
22 increased demand experienced in Ontario for the  
23 products of Ontario's paper and allied industries?

24 THE CHAIRMAN: Not whether it will in  
25 fact occur?

1 DR. ANDERSEN: Whether --

2 THE CHAIRMAN: But is Ontario's -- is  
3 Ontario well positioned, in your view, to take  
4 advantage of this increased market demand?

5 MR. ANDERSEN: Thank you, Mr. Chairman,  
6 that seems to simplify it. Perhaps sometimes we try  
7 and make things more complicated than they really are  
8 and I apologize for any kind of --

9 MR. CAMPBELL: Well, Mr. Chairman, with  
10 respect that is not my question. My question -- I  
11 understand they have expressed a variety of opinions on  
12 whether the industry is well positioned to take  
13 advantage of it.

14 What I am asking is: Is it fair to take  
15 the extra step and conclude that that demand will in  
16 fact be experienced in Ontario mills. And if he can't  
17 answer that, fine. But that is the conclusion that I  
18 have taken and I am quite pleased to take it, it is a  
19 nice thing to know. I mean, I consider it a very  
20 positive thing, but if it is wrong, I want to know.

21 And I think, with respect, Mr. Chairman,  
22 it is a different question.

23 THE CHAIRMAN: Well, I took his answer  
24 that he just gave to indicate that that answer depended  
25 on a number of other factors for which he was not

1 addressing such as supply, policy, et cetera.

2 MR. CAMPBELL: Fine, if he can't  
3 answer --

4 THE CHAIRMAN: I do not know -- if that  
5 was your answer, if it was taken in the appropriate  
6 context, but that is what --

7 DR. ANDERSEN: Yes, with due respect, I  
8 feel that there are policy considerations here. We are  
9 saying that the market does exist, that it is growing,  
10 we are saying that we are currently competitive, we are  
11 saying that the industry is looking at technological  
12 improvements, but obviously it seems that the ability  
13 to capture this growth does depend on factors that I am  
14 not qualified to respond to.

15 MR. MARTEL: Could I ask what this  
16 statement means then in your conclusion:

17 "The Ontario economy in turn is being  
18 stimulated by its linkages with the  
19 reviving U.S. manufacturing sector."

20 DR. ANDERSEN: Yes, that is a very good  
21 point.

22 MR. MARTEL: That indicates --

23 DR. ANDERSEN: The economy itself in  
24 central Canada and also the midwest, which is a very  
25 important market for Ontario forest products producers.



1 In the midwest employment tends to be concentrated in  
2 manufacturing and in agriculture.

3 The midwest and parts of the northeast  
4 were in a state of economic weakness earlier in the  
5 1980s because of the uncompetitive position that the  
6 U.S. dollar was placing American smokestack industries  
7 in.

8 However, since 1985 there has been a  
9 fundamental and a historic change in the currency  
10 alignment against overseas companies with the effect  
11 that companies like Caterpillar and Timkin, which were  
12 on the verge of bankruptcy in the mid-1980s, because  
13 foreign competition was stealing not only export  
14 markets but also domestic U.S. markets.

15 These companies have now come back to  
16 full health and the layoffs in blue-colour America  
17 which were very extensive in '85 and '86 have turned  
18 around into very strong employment gains in U.S.  
19 manufacturing and in these regions in 1987 going into  
20 1988 with this currency realignment being a very major  
21 fact of regenerating the economic health and, in a way,  
22 changing the economic power balance in the regions of  
23 the United States towards the regions such as the  
24 midwest which are very important for us.

25 MR. MARTEL: But that is going to affect

1 the Ontario forest products industry, then?

2 DR. ANDERSEN: Well, yes, we think it has  
3 been to some extent because, as we mentioned, the  
4 consumption of paper -- newsprint, rather, by region in  
5 the United States, as I pointed out to Mr. Castrilli  
6 yesterday, has really been quite favourable in the last  
7 year.

8 The growth of newsprint consumption in  
9 both the northeast and also the northcentral regions of  
10 the States, '87 compared with '86, showed substantially  
11 higher growth than -- in percentage terms than the U.S.  
12 south. So there is -- and also in terms of population.  
13 We can see that the size of the population in the nine  
14 states, in that inner circle, that population growth  
15 seems to be picking up a bit in 1986 and also into  
16 1987.

17 MRS. KOVEN: You don't have any  
18 indication though that that is reflected in Ontario's  
19 market share?

20 DR. ANDERSEN: Well, the market share, as  
21 I said, has been slipping in relative terms because the  
22 U.S. market has grown so rapidly. I felt that it was  
23 more --

24 MRS. KOVEN: Or because Ontario's  
25 capacity to--

1 DR. ANDERSEN: To respond to that.

2 MRS. KOVEN: --serve that market has  
3 declined?

4 MR. ANDERSEN: Exactly. But my point is  
5 that our market share -- in relative terms, the market  
6 share erosion hasn't really affected our capacity  
7 utilization. I think our capacity utilization is  
8 somewhat higher than U.S. mills, but Mr. Duncanson is  
9 more...

10 THE CHAIRMAN: Well, going back, Mr.  
11 Campbell, I think to your original question, do you  
12 want to ask it one last time and see if you get an  
13 answer out of this panel.

14 MR. CAMPBELL: Maybe I will refer the  
15 panel to the outline of evidence for Panel 5. Maybe I  
16 can come at it more easily this way.

17 Q. Do you have that, gentlemen?

18 MR. DUNCANSON: A. What exhibit exactly  
19 is it?

20 Q. It was Exhibit 5 during the  
21 preliminary hearings, it is the outline of evidence  
22 that was provided by the Ministry.

23 MS. BLASTORAH: They don't have a copy of  
24 that.

25 MR. CAMPBELL: Could the panel be

1 provided with a copy, please, Mr. Chairman?

2 MS. BLASTORAH: Well, Mr. Chairman, I  
3 don't have documents from the preliminary hearings here  
4 either and I feel it is unfair --

5 THE CHAIRMAN: I am afraid we do not have  
6 them.

7 MR. CAMPBELL: It is relatively short,  
8 Mr. Chairman. I will just read the sentence and if  
9 there is a problem we will deal with it then.

10 Q. It outlines a number of areas that  
11 are going to be covered by Panel 5, one of which reads  
12 as follows:

13 "The particular factors that affect the  
14 competitiveness of the industry will be  
15 described and a forecast of demand for  
16 forest products will be given."

17 Now, as I understand your testimony --  
18 and, again, my question is both to Dr. Andersen and Mr.  
19 Duncanson, so both please consider it directed to you  
20 and if one answers first and the other is happy with  
21 the answer, then I guess we will leave it at that, but  
22 it is directed at both of you.

23 In terms of a forecast of demand for  
24 forest products, as I understand what you have just  
25 said, Dr. Andersen, this report -- your report



1 contained in Exhibit 191 addresses the size of the  
2 market and, in that sense, is a forecast of demand, but  
3 it is not -- the report does not address the question  
4 of how much of that demand will be experienced in  
5 Ontario; is that correct?

6 DR. ANDERSEN: A. I would like to say  
7 that we forecast demand for forest products in the key  
8 markets served by Ontario companies. We have not  
9 forecast supply, we have not forecast the market share  
10 of Ontario producers. We are forecasting the demand  
11 for forest products in the markets served by Ontario  
12 producers and who supplies those markets depends on...

13 Q. All right.. So let's take this one  
14 step at the time. What you forecast in effect is the  
15 size of that market?

16 A. We are forecasting demand for forest  
17 products in Ontario and demand for forest products in  
18 the northeast and basically the U.S. market.

19 Q. All right. And when you say demand  
20 for forest products, what you are saying is--

21 A. Consumption of forest products.

22 Q. --the consumption that takes place  
23 once those products are put into the marketplace?

24 A. Right.

25 Q. All right. So your report, as I

1 understand it, specifically does not link that market  
2 consumption to the proportion of that market  
3 consumption which will be experienced by the mills as a  
4 specific demand for their products; is that correct?

5 A. You see, we don't forecast market  
6 share. You must understand that market share is a very  
7 complex issue, it depends on what happens in Quebec.

8 THE CHAIRMAN: Just a second, Dr.  
9 Andersen. Let's go back just so we can try and clear  
10 up this one question.

11 I think from what you have said your  
12 answer to Mr. Campbell's question is probably a yes,  
13 but so that you understand it, when he talks about what  
14 market demands will be felt or experienced by Ontario  
15 producers -- Mr. Campbell, could we put it in terms of  
16 will be met by Ontario producers?

17 MR. CAMPBELL: That is fine. It is the  
18 size of the market -- they have given a forecast, as I  
19 understand it, of the size of the market in Ontario,  
20 the United States for forest-based products, and that  
21 is what they call the forecast of demand.

22 And, as I understand it, this document  
23 makes no attempt to arrive at any conclusion as to the  
24 proportion of that consumption of forest-based products  
25 that--

1 THE CHAIRMAN: That will be met by  
2 Ontario.  
3 MR. CAMPBELL: --will be met by Ontario  
4 producers.  
5 DR. ANDERSEN: Yes.  
6 MR. CAMPBELL: Q. That is correct?  
7 DR. ANDERSEN: A. We don't forecast  
8 market share, that is correct.  
9 Q. So the statement that I have made is  
10 correct?  
11 A. We do not forecast market share.  
12 Q. Is the statement that I made correct?  
13 A. Did you say that we do not forecast  
14 market share? If that is the case, then your statement  
15 is not correct.  
16 Q. I am saying that --  
17 A. Why don't we --  
18 Q. If by market share, do you mean--  
19 A. We don't forecast supply.  
20 Q. --the proportion of consumption of  
21 forest products that will be served by Ontario?  
22 A. That will be met by. We are  
23 forecasting the demand facing Ontario producers, Mr.  
24 Chairman, the demand facing Ontario producers.  
25 THE CHAIRMAN: But you are not

1 forecasting how much of that demand will be met by  
2 Ontario producers?

3 DR. ANDERSEN: That's correct.

4 MR. CAMPBELL: Thank you, Mr. Chairman.  
5 I don't know why you get a simple answer and I never  
6 do.

7 MR. COSMAN: He said that ten minutes  
8 ago.

9 MR. CAMPBELL: Well, with respect, I  
10 don't think he did.

11 THE CHAIRMAN: Well, it is almost time  
12 for lunch, gentlemen. How long are you going to be in  
13 this area, Mr. Campbell? Perhaps we can continue on  
14 with it until you get to a new section.

15 MR. CAMPBELL: I think I will only be a  
16 moment or two longer, Mr. Chairman, and it really just  
17 rounds out the circle of the questions that I first  
18 went through with Ms. Coke and I now address to Dr.  
19 Andersen and Mr. Duncanson.

20 Q. Dr. Andersen and Mr. Duncanson, you  
21 heard me pose the question to Ms. Coke that there were  
22 different choices that could be made in timber  
23 management, and I take it you would both agree with  
24 that; is that correct?

25 MR. DUNCANSON: A. Yes.



1 DR. ANDERSEN: A. Yes.

2 Q. And am I correct that your analysis  
3 contained in Exhibit 191 does not address in any way  
4 the advantages and disadvantages associated with  
5 different choices which could be made with respect to  
6 timber management?

7 MR. DUNCANSON: A. That's correct.

8 DR. ANDERSEN: A. Mine does not.

9 MR. CAMPBELL: Thank you. Thank you, Mr.  
10 Chairman. This would be a convenient moment for the  
11 lunch break.

12 THE CHAIRMAN: Do you have any estimate,  
13 Mr. Campbell, at this point how long you will be in  
14 cross-examination?

15 MR. CAMPBELL: I think I will be another  
16 hour, Mr. Chairman.

17 It might well be helpful in one of the  
18 later areas that I am getting into, if Mr. Freidin and  
19 the witnesses could stay for just a moment. I want to  
20 sort of outline for them some numbers that I am looking  
21 for and then they can determine whether or not that is  
22 a possible thing or just how to deal with it.

23 It might be helpful to them in sort of  
24 speeding up the afternoon if Mr. Freidin and his  
25 witnesses are willing -- or Ms. Blastorah and her

1 witness are prepared to do that, otherwise I might be a  
2 little longer because the explanation might be a little  
3 longer.

4 THE CHAIRMAN: Okay. Why don't we  
5 adjourn now for lunch until two o'clock and then we  
6 will come back to your questions right after lunch.

7 MR. CAMPBELL: Thank you, Mr. Chairman.

8 THE CHAIRMAN: Thank you.

9 ---Luncheon recess at 12:35 p.m.

10 ---Upon resuming at 2:00 p.m.

11 THE CHAIRMAN: Thank you. Be seated,  
12 please.

13 MR. FREIDIN: Mr. Chairman, if I can  
14 advise in relation to the bus and the tour tomorrow,  
15 there will be an 11-passenger van, I stress 11, at the  
16 front door of this hotel at nine o'clock tomorrow  
17 morning and the tour will be at the Great Lakes mill  
18 and will commence at 9:30.

19 I mention 11 because if it takes more  
20 than 11 people it will be in contravention of some law  
21 or other. Ms. Blastorah advises her car will be in the  
22 back and, in fact, she can take a few of the extra  
23 people if that's required.

24 THE CHAIRMAN: Very well. Thank you.

25 MR. COSMAN: Mr. Chairman, in terms of

1 clothing, it can be dirty so I don't suggest people  
2 wear their best clothing. As far as shoes are  
3 concerned, they should be closed at the toes.

4 THE CHAIRMAN: Are you ready, Mr.  
5 Campbell?

6 MR. CAMPBELL: Just a second.

7 Mr. Chairman, one of the questions that I  
8 wanted to explore with this panel, it is becoming  
9 increasingly clear to me that it is inappropriate to  
10 explore with this panel, is the question of social or  
11 economic criteria which either could or will be used  
12 when making timber management decisions following the  
13 approval of this undertaking.

14 Now, you will note that I am assuming for  
15 the purposes of this that the undertaking is approved--

16 MR. FREIDIN: Thank you, Mr. Campbell.

17 MR. CAMPBELL: --and I don't anticipate  
18 changing my position on that matter.

19 THE CHAIRMAN: Pure speculation on your  
20 part.

21 MR. CAMPBELL: That's right, but well,  
22 like many other things.

23 My concern is aimed at, as I spoke  
24 earlier this morning, about choices that are made  
25 within timber management. There are clear choices that

1 can be made in timber management emphasizing this  
2 direction or that direction, and my concern in all of  
3 this is not just: Are statistics going to be gathered;  
4 that is, are social statistics or economic statistics  
5 going to be gathered, but in fact how is that  
6 information going to be used in making decisions  
7 amongst the various timber management choices that are  
8 available.

9 And I have asked Ms. Blastorah if she  
10 could advise as to whether there will be any further  
11 evidence as to the social or economic criteria which  
12 either could or will be used when making timber  
13 management decisions following the approval of this  
14 undertaking.

15 I don't know whether she wishes to  
16 address that question now before I continue with the  
17 panel or later, but I am concerned that this panel,  
18 which in the outline of evidence was aimed in part at  
19 socio-economic analyses, cannot deal with that kind of  
20 a question about analyses between the different choices  
21 that are available and I need to know when that will  
22 be.

23 MS. BLASTORAH: Mr. Chairman, I can  
24 advise that the socio-economic criteria will be  
25 addressed by various panels within the context of the



1 material that they will be dealing with and, more  
2 specifically, I believe that those criteria may be  
3 addressed in Panels 6, 7 and 8 and will be addressed at  
4 the micro-level in Panels 10, 11, 12, 13, 14 and 15.  
5 The last panel, of course, being the one that deals  
6 with timber management planning or the timber  
7 management plan itself.

8 MR. COSMAN: Mr. Chairman, I just want to  
9 say some submission was made, rather than an innuention  
10 in cross-examination of this point, that we will  
11 reserve our argument I think to you on the application  
12 of social/economic criteria. I won't make it now, I  
13 don't think it is appropriate to make it now but we  
14 will be leading evidence and making argument on that  
15 point.

16 MR. CAMPBELL: All right. So if I  
17 understand Ms. Blastorah correctly, that it is  
18 appropriate for in preparing to cross-examine all of  
19 those named panels to indicate -- to expect that those  
20 panels can answer questions about the various choices  
21 that can be made in their areas with respect to timber  
22 management activities and the differing social and  
23 economical impacts associated with those choices; is  
24 that fair?

25 MS. BLASTORAH: If I understand Mr.

1 Campbell correctly, to the extent that those criteria  
2 are relevant to the issues being discussed in the  
3 various panels, that will be the case. So, as I said  
4 before, within the context of what they are discussing.

5 MR. CAMPBELL: All right, thank you.

6 Q. Now, to come back to what I am really  
7 here for, panel. If we can go back to the logging  
8 industry analysis for a moment.

9 Ms. Coke, as I understand it, the value  
10 added in that portion of the industry is about  
11 \$400-million a year; is that correct? I have taken  
12 that from page 51 of the exhibit, which is 191.

13 MS. COKE: A. That is correct, mm-hmm,  
14 in 1985.

15 Q. And that figure relates to the whole  
16 of Ontario?

17 A. Yes, it does.

18 Q. And we have agreed that in terms of  
19 the industrial classifications that you have used, the  
20 industrial classification of logging includes the  
21 activities that are subject to the environmental  
22 assessment, but would you --

23 MS. BLASTORAH: Mr. Chairman, I would  
24 just like to clarify that point because I think Mrs.  
25 Coke's answer this morning was that it included the

1 activities within the undertaking as she understood  
2 them, to the extent that they were included within the  
3 Stats Can definition.

4 I understood that was her answer, but she  
5 did limit it to logging as defined by the Stats Can  
6 definition.

7 THE CHAIRMAN: But she also, I think,  
8 indicated that she agrees with the Stats Can  
9 definition.

10 MS. BLASTORAH: Yes.

11 MS. COKE: That's correct.

12 MR. CAMPBELL: Q. Now, am I correct that  
13 even then that the subject of this environmental  
14 assessment relates to Crown land within the area of the  
15 undertaking so that the \$400-million per year of value  
16 added could be expected to be an overstatement of the  
17 value added with respect to the undertaking itself?

18 MS. COKE: A. I can say for all of the  
19 data that it applies to Ontario overall because that is  
20 the way I am able to obtain the data, yes.

21 Q. So the logical conclusion from that  
22 is that it overstates the value added, for instance,  
23 within the area of the undertaking?

24 A. It is extremely difficult for me to  
25 answer that. I do know that the data tells me that 96

1 per cent of the employment, for example, occurs in the  
2 north and the boundaries of the north don't - according  
3 to Treasury and Economics - don't actually conform to  
4 the boundaries of the area of the undertaking.

5 So to the extent that they don't actually  
6 conform, I guess the answer has to be yes.

7 Q. Thank you. Now, am I also correct in  
8 my understanding that the value of shipments from the  
9 logging portion of the industry is \$923-million, and I  
10 take that figure from page 88 of your material?

11 A. Yes, that's correct. Page 154 on  
12 Figure 18? That's where I drew the number, it is the  
13 data sheet, sorry.

14 Q. All right. I just looked at page 88.

15 A. No, that's true, that's exactly right  
16 and that's where I was taking it from.

17 Q. Now, my understanding of your  
18 explanation of the concept of value added is that in  
19 order to get the value added by a firm you need to  
20 deduct the value of the intermediate inputs from the  
21 total shipments, so that in this case you would have to  
22 deduct \$523-million of intermediate inputs from the  
23 \$923-million to get the \$400-million of value added; is  
24 that correct?

25 A. I am sorry, I am not following where



1       you are getting that from. Value added is revenue  
2       received by a firm minus the cost of intermediate  
3       inputs. And I don't know where you are getting the  
4       cost of intermediate inputs, I am sorry.

5                   Q. Well, I am simply saying that you  
6       have identified \$923-million as the shipments.

7                   A. Yes.

8                   Q. You have identified \$400-million as  
9       the value added. Can I conclude from that that the  
10      value of the intermediate inputs is \$523-million?

11                  A. Not necessarily, because they may be  
12      shipping out of inventories that they may have produced  
13      last year. It is hard to know exactly.

14                  Q. Is it a fair approximation?

15                  A. It is probably fair depending on what  
16      the inventory situation is.

17                  Q. Assuming the company carried a  
18      relatively stable amount of inventory on an annual  
19      average basis, would it be fair to conclude that the  
20      intermediate inputs - a fair approximation for  
21      discussion purposes - is \$523-million?

22                  A. I will say it is probably as good as  
23      any guesstimate, a guesstimate.

24                  Q. Are you able to supply with any  
25      better number?

1 A. No, I am not.

2 Q. In terms of it being a guesstimate,  
3 could you give me a range which might be associated  
4 with it?

5 A. I honestly could not, I am sorry. I  
6 haven't looked at that.

7 Q. All right. Now, let's work with the  
8 \$523-million figure, recognizing its limitations.  
9 Would you agree with me that that would include all  
10 payments to the Crown with respect to wood supply?

11 A. Value added excludes wages, profits,  
12 depreciation and interest, so...

13 Q. I am not speaking of value added--

14 A. I am sorry.

15 Q. --I am speaking of the \$523-million  
16 of what you classify as intermediate inputs.

17 A. I don't think you classify tax  
18 payments as an intermediate input, it would not be  
19 classified as such in my definition. Maybe my  
20 colleagues could help me.

21 Q. I think you are making the question  
22 more complicated than I intend it to be, Ms. Coke.

23 A. Sorry, maybe I am not understanding  
24 it.

25 Q. I am just asking whether, having

1 deducted value added, we are left with some number from  
2 the value of total shipments, which we said is  
3 \$523-million.

4 A. Ah-huh.

5 Q. Is it fair to conclude that that  
6 \$523-million would have, as one component, the payments  
7 that the industry makes to the Crown with respect to  
8 wood supply?

9 A. I am honestly not sure whether the  
10 value of shipments includes tax payments or not. I am  
11 not sure whether -- I am not sure about that and I  
12 can't give you an answer on whether in fact the taxes  
13 are calculated on the total.

14 Well, there is all sorts of taxes. First  
15 of all, there would be sales taxes which would be  
16 intermediate, which would be on intermediate goods that  
17 would be purchased, correct, by the mill, as I  
18 understand it. But there also would be -- I am not an  
19 expert on this, but there would also be taxes paid to  
20 the Crown for harvesting the wood, for cutting the  
21 wood. I don't know...

22 THE CHAIRMAN: Does it make a difference,  
23 Mr. Campbell, to whether it is or it is not? I mean,  
24 can you do it -- can you ask her the question both  
25 ways, or do you need to know the answer to that for the

1 purposes of your examination?

2 In other words, assume it was included in  
3 the 523.

4 MS. COKE: Okay, assume it was? Fair  
5 enough. Okay, assume that the 523 includes all tax  
6 payments, fine.

7 MR. CAMPBELL: Q. But I don't think I am  
8 talking exactly about tax payments. As I understand  
9 it, are there not payments to the Crown - and perhaps  
10 Mr. Duncanson if you can help - are there not payments  
11 to the Crown apart from what the normal person  
12 contemplates as taxes for the wood supply that  
13 companies receive or the companies take out of the  
14 Crown forest; stumpage, for instance?

15 MR. DUNCANSON: A. Are you referring to  
16 stumpage?

17 Q. Well, I am not the expert in this  
18 matter. If that's one of the categories of such  
19 payments, then fine, let's work with that and see if  
20 there are any others.

21 A. Stumpage is a payment to government  
22 on--

23 Q. For the right --

24 A. --for timber.

25 Q. For timber taken out of Crown



1 forests?

2 A. Yes.

3 Q. Are there any other payments apart  
4 from the normal taxes that a company pays in the course  
5 of doing business that are related to its taking of  
6 wood from Crown forests? The same way if you went to  
7 buy timber from a private producer, you would pay him  
8 for the wood.

9 All I am asking is: Is that all captured  
10 by stumpage when you are talking about wood from Crown  
11 land?

12 A. As far as I am familiar with  
13 stumpage, I believe that is true.

14 MR. CAMPBELL: All right. Perhaps Ms.  
15 Blastorah could let me know if there are some  
16 additional payments that I am unaware of or that this  
17 panel is not aware of but, for the moment, I will just  
18 assume that stumpage captures all payments which are  
19 made for wood supply from the Crown forest.

20 Q. And let's proceed on that basis. Is  
21 that satisfactory, Ms. Coke?

22 MS. COKE: A. So I am supposed to assume  
23 that stumpage is included in the value of shipments  
24 numbers?

25 Q. Well, that's my next question. That

1 in terms of the inputs that a company would use, it  
2 would include, would it not, payments that it had made  
3 to the Crown for wood from Crown forests?

4 It is the same sort of thing as gas for  
5 trucks, equipment rentals, all of the other things that  
6 are the inputs into value of shipments and value --

7 A. Well, one of the things I did at the  
8 beginning - and I really want to be helpful, I am not  
9 quite sure if this is the right thing - is that I did  
10 talk about the problem of taking -- trying to get value  
11 with or without indirect taxes. And that when we are  
12 trying to get to the nub of what's actually happening,  
13 we try and take out those indirect taxes and subsidies.

14 Now -- and I am not familiar enough with  
15 value of shipments numbers to know whether they are  
16 included or not. So if it was value at factor cost,  
17 then it would not include those taxes; if it was value  
18 at market prices, it would include those things.

19 And so I am afraid that I am going to  
20 give an answer to this I am not fully informed about  
21 and I am just not sure how to be helpful.

22 Q. All right. Well, you drew a chart at  
23 the beginning that showed all of these inputs and how  
24 you calculated sort of the input cost and then the  
25 value added and that gave you total shipments?

1 A. No, I understand exactly what you are  
2 saying.

3 Q. What you are saying is that you don't  
4 understand --

5 A. I don't know whether this data that  
6 we are working with incorporates indirect taxes or not,  
7 that's what I am saying. It may in fact be -- take the  
8 value minus the sales tax and minus other taxes, but it  
9 may not, and I am just not close enough to know.

10 Q. All right. Does it include stumpage,  
11 which I take to be the payments made to the Crown for  
12 the right or for the timber taken from Crown forests?

13 A. I don't know.

14 MR. CAMPBELL: Well, Mr. Chairman, I  
15 wonder if I could have an undertaking from the Ministry  
16 to indicate the payments that are made to the Crown  
17 with respect to timber - wood, that is - taken from  
18 Crown forests?

19 Now, I am nervous that in stating it that  
20 way there is some terminology that I am not familiar  
21 with. What I am interested in is simply how much does  
22 the Crown receive from industry with respect to the  
23 wood that it makes available to industry.

24 And I will try and state it that simply  
25 and if it means it is stumpage and there are other

1 kinds of payments, I would ask that they all be put in  
2 the number, all be added together and included in the  
3 number that I am provided with and I only need whatever  
4 the most recent and easily available data is for a  
5 particular year.

6 I am not concerned terribly with putting  
7 people to a lot of unnecessary work to get a whole  
8 historical background.

9 THE CHAIRMAN: So you want an actual  
10 number as opposed to whether or not it is just included  
11 as an input?

12 MR. CAMPBELL: Exactly.

13 THE CHAIRMAN: What kind of work does  
14 that put the Ministry to in trying to arrive at that  
15 kind of number?

16 MS. BLASTORAH: Mr. Chairman, I am just  
17 trying to determine that, if I could just have one more  
18 moment.

19 ---Discussion off the record

20 THE CHAIRMAN: I mean, Mr. Campbell, you  
21 are talking basically pure stumpage type fees here, not  
22 indirect payments--

23 MR. CAMPBELL: I am talking --

24 THE CHAIRMAN: --such as contributions to  
25 silviculture and other things that industry may kick in



1 for along the way?

2 MS. BLASTORAH: That was my concern, Mr.  
3 Chairman.

4 THE CHAIRMAN: Yes. I mean, stumpage I  
5 can see them getting that kind of figure relatively  
6 easily and it is probably in the provincial stats  
7 somewhere anyway.

8 MR. CAMPBELL: Could I just state the  
9 simple question and if it is complicated to answer I  
10 will be delighted to learn about that.

11 The simple question is: What does it  
12 cost the industry to have available to it the wood that  
13 it is taking from Crown forests? I have no idea what  
14 the class of things are that might be included in those  
15 costs, but I assume the Ministry would.

16 THE CHAIRMAN: Mr. Campbell, I just do  
17 not think it is that simple because it depends what you  
18 mean by costs. If it is a direct cost, the industry  
19 may have to pay the crown "x" amount of dollars to take  
20 "x" amounts of cords or whatever, cunits, or whatever  
21 measurement they are taking out of the forest.

22 MR. FREIDIN: We can provide that, Mr.  
23 Chairman, in terms of stumpage and area charges which  
24 are in the annual reports which provide that type of  
25 direct payment.

1                   THE CHAIRMAN: But if the costs are also  
2 incidental to FMA agreements, incidental to obligations  
3 by industry to deal with silviculture, regeneration and  
4 all of this kind of thing, that can be considered in  
5 one sense a cost because if they do not follow through  
6 with some of these obligations under agreements, they  
7 do not get the right to take the wood out of the forest  
8 and that may be a very difficult number for one to put  
9 their hands on.

10                   So I think you have to be just a little  
11 bit more specific as to what kind of costs we are  
12 talking about.

13                   MS. BLASTORAH: Mr. Chairman that was  
14 precisely my concern. And I can advise Mr. Campbell  
15 that if he would like to look at Exhibit 29, page 26,  
16 that will give him the direct charges that you were  
17 speaking of, the stumpage and Crown dues. I think  
18 that's what he is after. That's page 26 of Exhibit 29.

19                   MR. MARTEL: Well, what other revenues  
20 are forthcoming from industry to the Crown?

21                   MR. DUNCANSON: Good question. I am not  
22 familiar with all the small revenues. The largest bulk  
23 of the revenues would come through the stumpage though,  
24 I believe. There is the export tax on lumber.

25                   MRS. KOVEN: We seem to have divided into

1 sub-groups, Mr. Duncanson.

2 THE CHAIRMAN: I guess what we are  
3 talking about, or at least what Mr. Martel has alluded  
4 to as well, is: Does the figure you gave consist of  
5 the total revenue received by the Crown essentially in  
6 return for the industry being able to take timber on  
7 Crown lands?

8 If we are dealing with revenue, per se,  
9 receivable by the Crown, it may be that number.

10 MS. BLASTORAH: Mr. Chairman, I think the  
11 concern I have here is that we can talk about, even in  
12 terms of revenue, direct and indirect revenue.

13 I mean, obviously as Mr. Duncanson has  
14 stated, the most obvious kind of revenue is stumpage  
15 fees and area charges or Crown dues, but it depends on  
16 where we want to draw the line as to what's direct and  
17 what's indirect. I mean, we could also talk about  
18 various kinds of taxes and that sort of thing.

19 And I think that what we can do -- I have  
20 already indicated to Mr. Campbell where he can find the  
21 information on the first two, and I think we can  
22 perhaps indicate to him if there is anything else that  
23 is really direct in that sense that we are not aware of  
24 now, we will undertake to do that.

25 But I think going beyond that is going to

1 be a difficult exercise and may well be impossible.

2 MR. MARTEL: But I am not even worried  
3 about a figure. I think what Mr. Campbell is looking  
4 for is what one might consider sources of income.

5 And if you listen to his question, he is  
6 saying I am not sure from where the Crown receives its  
7 money or for what reasons; what are a list of the  
8 reasons, are they an exhaustive list of the reasons for  
9 the which the Crown receives money from the forest  
10 industry.

11 I think that's the sort of information he  
12 is looking for. Is there something that we don't  
13 collect on, or just what are the various ways one  
14 receives money for the right to go in. And I  
15 understand gas tax and all that, but I am not sure  
16 that's what he is looking at.

17 MS. BLASTORAH: Well, I guess, Mr.  
18 Martel, the concern that has been raised is we also  
19 have indirect revenues, if you want to call it that,  
20 such as the contribution of industry in other areas  
21 through silvicultural activity and so on, and whether  
22 you call that actual income to the Crown or cost  
23 savings or how you want to categorize that, can cause  
24 problems.

25 So if you are actually getting cash in



1 your hand, it is somewhat different than if you are  
2 saving money that you would have otherwise had to  
3 spend.

4 I mean, to come back to Mr. Campbell and  
5 say here is an exhaustive list of what the Crown gets,  
6 that is my concern, that I don't think we can  
7 categorically state that we have an exhaustive list. I  
8 think that would be very difficult to do because that  
9 would undoubtedly change over time. It depends on  
10 various tax situations and, you know, possible benefits  
11 or whatever that the industry might get.

12 I think that -- if I understand his  
13 question, I think what he is after is the direct types  
14 of revenue that we are referring to in Exhibit 29 and  
15 maybe he can indicate if that's not the case, and if we  
16 think of anything else of that type, we can certainly  
17 advise him of that.

18 THE CHAIRMAN: Mr. Campbell, what are the  
19 limits of your inquiry?

20 MR. CAMPBELL: I am sorry to say I think  
21 it is a little broader than what is being contemplated.  
22 Let me go to the end and come back, because I think the  
23 comparison that I am trying to make will perhaps help  
24 in this.

25 What I am trying to do is compare on the

1 one hand what my friends in the industry pay to the  
2 Crown either by way of direct payments or the value of  
3 the investment that they make on an on-going basis on  
4 Crown forests, the sum of those two things on one hand  
5 and, on the other hand, the costs to the Crown of its  
6 expenditures on Crown forests in administering them and  
7 so on, the total of those expenditures, so that we can  
8 see: Is that a balanced number, is it resulting in a  
9 profit by the Crown, is it resulting in a subsidy to  
10 the industry?

11 I would like to know some sense of the  
12 answer to that question and its quantity. I realize it  
13 may not be possible to arrive at with precision.

14 THE CHAIRMAN: Well, I think we dealt  
15 with part of this in previous panels. What you may be  
16 able to get, without that much trouble, is what the  
17 Ministry receives, is what the Crown receives by way of  
18 stumpage or taxes or anything like that.

19 What you may find some difficulty in  
20 obtaining is what additionally the industry spends,  
21 particularly of its own money, which does not end up in  
22 the Crown's pockets, so to speak, but it spends  
23 nevertheless--

24 MR. CAMPBELL: On Crown forests.

25 THE CHAIRMAN: --on Crown forests. It

1 may be their contribution to roads over and above the  
2 subsidy they get for building roads.

3 MR. CAMPBELL: And if the Ministry is not  
4 able to provide that kind of estimate that I am looking  
5 for, fine, that is an important piece of information  
6 too. But if they can, I would like their best estimate  
7 so that we can see that overall the relative sizes of  
8 the investment and, quite frankly, who is profiting  
9 from that relationship, and I don't use that in any  
10 derogatory sense, I think it is just a piece of  
11 information.

12 MRS. KOVEN: Didn't we already have Mr.  
13 Armson testifying to the effect that the Ministry  
14 doesn't know what the costs are to industry in terms of  
15 what is spent in excess above the silvicultural  
16 payments outlined in the FMAs or road access or  
17 whatever. They simply don't know. He didn't tell us  
18 why they don't know, or why the government shouldn't  
19 care to know, but he said they don't know. I think  
20 that is what was said.

21 MR. CAMPBELL: If in fact that is the  
22 Ministry's position I would rather hope that this  
23 panel, having taken such a broad look at the economics  
24 of it, would be able to provide us with some kind of  
25 estimate of that. If they are unable to do so and, in

1 fact, MNR is unable to do so, then that is where we are  
2 and that is the end of it.

3 THE CHAIRMAN: Tell me, Mr. Cosman, is  
4 the industry intending at any time in their evidence to  
5 provide any kind of information in terms of what the  
6 industry as a whole spends?

7 MR. COSMAN: I haven't discussed this.

8 THE CHAIRMAN: Not individual companies--

9 MR. COSMAN: Yes.

10 THE CHAIRMAN: --because some of that  
11 information may be privileged.

12 MR. COSMAN: I haven't discussed this  
13 particular question with my clients, Mr. Chairman, and  
14 I will raise it with them.

15 But perhaps just as a matter of  
16 procedure. We have been 25 minutes on a matter which  
17 this panel can't answer. Surely this is a matter for  
18 an interrogatory. That is how this should be handled,  
19 not -- once a panel says they can't answer it, we  
20 shouldn't be taking this Board's time and everybody's  
21 time to explore something which they can't answer and  
22 asking for an undertaking.

23 That is a very specific question to which  
24 an answer might be received by way of interrogatory to  
25 industry and then -- or subsequently to us.



1                   MR. CAMPBELL: Well, I appreciate the  
2 assistance, Mr. Chairman, but with the greatest respect  
3 to my friend, in my submission, this exchange that we  
4 have had illustrates exactly why this is very difficult  
5 for someone who is not thoroughly familiar with all of  
6 the terminology and all the little nuances of how that  
7 terminology is used to put an interrogatory that is  
8 going to be responsive to the concern that is being  
9 addressed.

10                   And, in my submission, we haven't wasted  
11 one minute and even if only to try and understand what  
12 the difficulties are with this, but to try and get it  
13 stated in a way that is responsive to the concern of  
14 the question.

15                   THE CHAIRMAN: No, I think, Mr. Campbell,  
16 your comments are well taken. There have been  
17 interrogatories posed in the past by various parties to  
18 which -- and I think Dr. Osborn stated quite frankly a  
19 couple of times, he responded to the wording of the  
20 particular interrogatory. When it was explored in oral  
21 examination a bit later, it turned out that the person  
22 requesting the information wanted something a little  
23 different than the way it was exactly stated.

24                   So I think in terms of this undertaking  
25 it is difficult for all of us to precisely know exactly

1 the way to frame a particular question. I think I  
2 agree with you, Mr. Campbell, that sometimes these  
3 exchanges are necessary to clarify.

4 Having said that, do you think now that  
5 you could put your request in the form of an  
6 interrogatory, wording it the way you wish after this  
7 clarification, and obtain the answer through a response  
8 to what interrogatory?

9 MR. CAMPBELL: That is perfectly  
10 satisfactory and I will rely on the transcript, of  
11 course, to do that, Mr. Chairman.

12 THE CHAIRMAN: Very well.

13 MR. CAMPBELL: Q. Now, if we could go  
14 back to page --

15 THE CHAIRMAN: Just a moment. Are we  
16 clear, that there is no undertaking at the moment  
17 except that you will be responding, I assume, to an  
18 interrogatory that will be posed to the Ministry in  
19 whatever fashion you wish.

20 MS. BLASTORAH: That is fine, Mr.  
21 Chairman.

22 MR. CAMPBELL: Q. Now, if we could go  
23 back to page 45 of Exhibit 191. I want to turn first  
24 to the wood industries and I would like to turn first  
25 to you, Mr. Duncanson.

1                   Did I understand you correctly that you  
2 testified with respect to the wood industries that in  
3 terms of financial performance the wood industry is at  
4 best break even, I believe were your words; is that  
5 correct?

6                   MR. DUNCANSON: A. Is that from the  
7 exhibit?

8                   Q. No, I believe this is when you were  
9 dealing with this in your direct testimony.

10                  A. Yes, it was in those words.

11                  Q. And is it your expectation that this  
12 will continue to be the case?

13                  A. Based on our demand forecasts we do  
14 not see, you know, the chance for, again, profitability  
15 from the sector.

16                  Q. So I take it that you do expect this  
17 situation to continue?

18                  A. Yes.

19                  Q. And could you turn to Exhibit 200,  
20 please, which is the Future Capital Expenditures,  
21 Ontario Pulp and Paper Mills.

22                  A. Is that the revised -- oh, the  
23 Future, that is page 202?

24                  Q. I guess it is -- I have a note on it  
25 in Ms. Blastorah's writing that says page 202A, but I

1 think it was marked as Exhibit 200.

2 A. Okay, that was the revised table.

3 Q. Yes. Have you done any equivalent  
4 table for capital expenditures in the wood industry?

5 A. No, I have not.

6 Q. Can I take it from your remarks about  
7 financial performance that if you were to draw up such  
8 a table it would show very modest, if any, capital  
9 expenditures being made in the wood industry. Would  
10 that be fair?

11 A. No, it would not. There are dozens  
12 of smaller projects that exist in the wood industries  
13 and I refer you to the page in our document on -- page  
14 200 and this is from the Stats Can and we did have a  
15 revision to it.

16 The Stats Can capital and repair  
17 expenditures where I refer to the wood, which is short  
18 for wood industries, and we have also supplied an  
19 exhibit - and I didn't write down the exhibit number -  
20 which breaks down the capital and the repair.

21 MS. BLASTORAH: I believe it is Exhibit  
22 198, Mr. Chairman.

23 THE CHAIRMAN: Thank you.

24 MR. CAMPBELL: Q. All right. So that...

25 MR. DUNCANSON: A. I do not have a



1 breakdown of that 203.9-million.

2 Q. All right. So in terms of location  
3 and projects and so on, you haven't broken it down any  
4 further?

5 MS. BLASTORAH: I am sorry, Mr. Chairman,  
6 I believe it was Exhibit 199 that Mr. Duncanson was  
7 referring to.

8 MR. CAMPBELL: Q. All right. So that in  
9 terms of pure capital expenditures, the figure is  
10 203-million but you haven't broken it out simply  
11 because of the number of projects.

12 MR. DUNCANSON: A. The data is not  
13 readily available, the breakdown.

14 Q. I see. All right. Within the wood  
15 industry, though, you have looked at the question of  
16 demand for products?

17 A. Yes.

18 Q. And could you advise in relative  
19 terms the demand for products for which hardwoods are  
20 the preferred feedstock versus products for which  
21 conifers are the preferred feedstock?

22 A. Is this solely in the wood industry?

23 Q. Yes, I will get to the paper and  
24 allied in a moment.

25 A. And you want me to refer to the table

1 on page 45?

2 Q. That would certainly be a convenient  
3 breakdown. And just before you get into that table, as  
4 I understand the way this table works, if you take, for  
5 instance category -- Stats Can category 251, saw mills,  
6 planing and shingle mills, that would encompass both  
7 categories 251.1 and 251.2; is that correct?

8 MS. COKE: A. That is correct.

9 Q. All right. And for my purposes, if  
10 you just keep at the first level of the division that  
11 would be satisfactory, if you could.

12 MR. DUNCANSON: A. You want the  
13 breakdown between hardwood and softwood?

14 Q. Yes, what proportion of the  
15 feedstock, for instance, in category 251, is the  
16 preferred feedstock hardwood versus softwood?

17 A. Well, the saw mill is either a  
18 hardwood saw mill or a softwood saw mill. If it is a  
19 hardwood saw mill --

20 Q. I am not asking you on a saw mill  
21 basis.

22 A. Well, okay.

23 Q. I am saying within that industrial  
24 category.

25 A. No, okay. If it is a hardwood saw

1 mill they would prefer hardwood.

2 Q. Well, obviously, with respect.

3 A. Well...

4 Q. I am asking you in relation to that  
5 industrial category: saw mills, planing and shingle  
6 mills, are you able to advise the proportion of the  
7 feedstock within that category, that the preferred  
8 feedstock is hardwood versus softwood?

9 A. No, I am not.

10 Q. And are you able to do that with  
11 veneer and plywood mills?

12 A. No, I am not.

13 Q. That is category 252. Are you able  
14 to do that with respect to 254 which is sashes, doors  
15 and other mill work?

16 A. No, I am not.

17 Q. And with respect to 256, wooden boxes  
18 and pallets.

19 A. No, I am not.

20 Q. 258 --

21 THE CHAIRMAN: Mr. Campbell, why don't  
22 you ask him the question the other way around. Are  
23 there any categories for which you can make this  
24 breakdown?

25 MR. DUNCANSON: That require hardwood?

1 THE CHAIRMAN: The difference, the  
2 relative breakdown between hardwood and softwood for  
3 any of the categories without Mr. Campbell having to go  
4 through each one of them one by one?

5 MR. DUNCANSON: Well, the only category  
6 is in the bottom category, the sub-category. I am  
7 referring specifically to waferboard.

8 MR. CAMPBELL: Q. And that would be  
9 primarily hardwood?

10 MR. DUNCANSON: A. Primarily hardwood.

11 Q. All right. Well, can I take it then  
12 that in terms of your look at wood industries, you are  
13 unable to express any opinion as to the relative demand  
14 for hardwoods versus softwoods in relation to the  
15 products of those industries?

16 A. We identify demand trends for panel  
17 board products of which you could further relate to  
18 waferboard.

19 Q. Apart from waferboard production  
20 then, where you have spoken of hardwoods, am I correct  
21 that you can give us no insight as to what the  
22 industrial -- what the demand is from the wood  
23 industries as between hardwoods and softwoods?

24 A. That is correct.

25 Q. Within the wood industries, is there



1 any particular advantage, either competitive or  
2 otherwise, in Ontario that arises because of the nature  
3 of the wood available in the area of the undertaking?

4 A. I am sorry, I am going to have to ask  
5 you to repeat that.

6 Q. I am speaking of the industry in  
7 Ontario and asking you whether there is any particular  
8 advantage - I guess I should say or disadvantage - any  
9 particular advantage or disadvantage relating to  
10 competitive conditions or otherwise that arises because  
11 of the nature of the wood available in the area of the  
12 undertaking?

13 A. Yes, I would -- as it refers to wood  
14 industries, the size of, you know, the diameter of the  
15 trees.

16 Q. And you spoke of that this morning  
17 and that is a competitive disadvantage, as I understand  
18 it?

19 A. That is a disadvantage.

20 Q. Right. Within the wood industries,  
21 are you able to identify any additional disadvantages  
22 because of the nature of the wood available in the area  
23 of the undertaking or any advantages arising from that  
24 factor?

25 A. No, no additional.

1 Q. Any other members of the panel?

2 DR. ANDERSEN: A. No.

3 MS. COKE: A. Not to my knowledge.

4 Q. All right. Now, then I would like to  
5 turn to the paper and allied industries. I take it,  
6 Mr. Duncanson, from your analysis that this is the  
7 profitable area of the forest industries generally, the  
8 most profitable area?

9 MR. DUNCANSON: A. That is correct.

10 Q. It is where people are making money?

11 A. That is correct.

12 Q. The industry is healthy and, in fact,  
13 it is achieving record profits?

14 A. That is correct.

15 Q. Now, as I understand it, this happy  
16 state of affairs is directly dependent on the  
17 competitive advantages that the Ontario industry enjoys  
18 in the lucrative U.S. market; is that a fair statement?

19 A. I think the profitability has a lot  
20 to do with where we are in the demand cycle and relates  
21 to commodity prices.

22 Q. All right. But I am not sure that I  
23 quite understand that as being responsive to my  
24 question. Can I -- and perhaps I will go back again.

25 In addition to the excellent management

1       that the industry has put in place, would you agree  
2       that the happy state of affairs with respect to  
3       profitability is directly dependent on the competitive  
4       advantages that the Ontario industry enjoys in the  
5       lucrative U.S. market?

6                   A. I don't like your -- the term  
7       directly because there are many factors--

8                   Q. All right.

9                   A. --determinate of...

10                  Q. All right. It is dependent, to a  
11       significant degree, on the competitive advantages that  
12       the Ontario industry enjoys in the lucrative U.S.  
13       market?

14                  A. I cannot disagree that the forest  
15       products industry, as I have indicated, is competitive.

16                  Q. And am I correct in my understanding  
17       that the fact that the industry is enjoying record  
18       profits is dependent, to a significant degree, on the  
19       competitive advantages that it enjoys in the lucrative  
20       U.S. market?

21                  A. No, I don't think it is that  
22       significant on the competitive position that is here.  
23       We are trying to determine how much of the  
24       profitability is from the bottom line up and how much  
25       of the profitability is where we are in the product

1 demand cycle.

2 Q. Well, I haven't asked with respect,  
3 Mr. Duncanson, if you would limit it to this being the  
4 only factor.

5 But I would ask you to agree and unless I  
6 have missed -- completely misunderstood your evidence,  
7 which is possible, I have concluded that the  
8 competitive advantages that the Ontario industry enjoys  
9 in the lucrative U.S. market are a significant factor  
10 leading to the circumstances that it finds itself in  
11 where it is very healthy and making record profits; is  
12 that a fair conclusion?

13 A. No, it isn't. I don't see it as the  
14 significant, I see the market itself and where we are  
15 commodity pricewise as being the significant factor  
16 leading to their profitability.

17 Q. It is a significant factor leading to  
18 its profitability; you would agree with me that far?

19 A. Yes.

20 Q. Where would you rank it in respect --  
21 that factor, the competitiveness factor that your paper  
22 focused on in relation to other factors which are  
23 contributing to the current healthy state of the  
24 industry?

25 A. Like I would rank the commodity price



1 demand which reflects on the operating rates and then  
2 the competitive position.

3 Q. All right. So it is the fact -- the  
4 single most important factor is that there is a high  
5 level of demand in markets that Ontario can serve; is  
6 that what I understand you --

7 A. That's correct.

8 Q. And the second most important factor  
9 in terms of profitability is that Ontario industry  
10 enjoys competitive advantages in serving that market?

11 A. Yes.

12 Q. Now, as I understand it, the  
13 particular feature that gives rise to that competitive  
14 advantage -- to those competitive advantages - and I am  
15 speaking of paper and allied industries here - is the  
16 fact that much of Ontario's timber resource consists of  
17 high quality coniferous wood fiber?

18 Do you agree with that proposition?

19 A. That is the -- the high quality of  
20 fiber that Ontario paper producers find themselves with  
21 does not lead to increased profitability, but it does  
22 maintain their ability to produce higher quality papers  
23 which, in turn, ensures the high percentage of market  
24 demand.

25 THE CHAIRMAN: Ensures an ability to

1       serve a high percentage of market demand?

2                   MR. DUNCANSON: Thank you.

3                   MR. CAMPBELL: All right. Now, Mr.

4       Chairman, in answering this question Mr. Duncanson very  
5       carefully omitted one word that is of importance in  
6       this matter and I am going to restate my question and  
7       ask if he would respond to it.

8                   Q. And I would ask you whether the  
9       particular feature that gives rise to the competitive  
10      advantages that you have been speaking of in your  
11      testimony is the fact that much of Ontario's timber  
12      resource consists of high quality coniferous wood  
13      fiber?

14                   Do you agree with that proposition?

15                   MR. DUNCANSON: A. Yes.

16                   Q. Now, Mr. Duncanson, do you also agree  
17      that for each product being produced there are specific  
18      types of trees which are required to achieve a product  
19      of a particular type and quality which is attractive in  
20      the marketplace?

21                   Do you agree with that proposition?

22                   MR. DUNCANSON: A. Not exactly. Through  
23      technology there is an ability to use a wider range of  
24      species to end up with virtually the same end product.

25                   Q. All right. But I don't take that as

1       qualifying your previous answer. Is that intended to  
2       qualify as well your previous answer?

3               A. I am not trying to qualify the  
4       previous answer.

5               Q. All right. But, for instance, if I  
6       consider newsprint, that is just not a homogeneous  
7       product, there are different qualities and grades and  
8       so on of newsprint, as I think you demonstrated the  
9       other day with the various papers you showed us; is  
10      that correct?

11              A. Yes.

12              Q. And that the ability to obtain a  
13      specific desired quality or grade of product, be it  
14      newsprint or any of the other grades, you can't just  
15      use any old trees presumably?

16              A. There are some limitations.

17              Q. And would you agree with me that as  
18      you get into the higher quality products -- let me back  
19      up. My impression of your evidence is that the market  
20      for paper and allied products is more and more focused  
21      on what might be called higher quality products; is  
22      that fair?

23              A. No.

24              Q. Well, your friend was nodding  
25      affirmatively while you said no.

1                   A. Well, what do you -- you know, is  
2                   ordinary bond paper, is that high value added? I mean  
3                   is that what you are...

4                   Q. Well, let me put it in your terms  
5                   then. Would it be unfair of me to conclude that the  
6                   highest value added products were also the most  
7                   limiting products in terms of the type of wood that  
8                   they can use in their production?

9                   A. No, I can't -- there are -- you know,  
10                  it is not solely the wood fiber, it is the process, it  
11                  is the way in which you convert that wood fiber and  
12                  what you do to that wood fiber.

13                  Q. I understand that, and I guess I am  
14                  trying to get some understanding of the degree to which  
15                  you have agreed that the particular feature that gives  
16                  rise to Ontario's competitive advantages is the fact  
17                  that much of our resource consists of high quality  
18                  coniferous wood fiber. You have agreed to that  
19                  proposition?

20                  A. Yes.

21                  Q. And I guess what I am trying to get  
22                  some sense of is: Within the areas in which we are  
23                  enjoying profitability, to what degree can we  
24                  substitute away from the high quality coniferous wood  
25                  fiber without impairing our position in the



1 marketplace? That is what I have no sense of and that  
2 is, I guess, basically what I am looking for.

3 A. Your question is extremely general in  
4 nature and you basically have to go product by product.  
5 For instance, if you want to produce tissue paper, you  
6 could use hardwood, you could use softwood. If you  
7 want to make newsprint, you are fairly restricted in  
8 the fact that you cannot use a large portion of poplar.

9 Q. All right. Maybe the way to come at  
10 this would be to -- and, again, just before I go on,  
11 you don't intend that as any kind of qualification, as  
12 I understand it, on your earlier agreement about our  
13 competitive advantage attaching in particular to high  
14 quality coniferous wood fiber; you don't intend that as  
15 a qualification to that?

16 A. No.

17 Q. All right. Now, could we go back to  
18 Exhibit 200 then which is your chart of the future  
19 capital expenditures.

20 And you will have discerned by now that I  
21 will break every rule of cross-examination because I am  
22 not entirely clear that I know the answers to these  
23 questions, but I would ask you if you could indicate  
24 for each of these mills that we are talking about on  
25 Exhibit 200 whether a coniferous tree or a hardwood

1 tree would be the preferred feed and the tree and  
2 maximum ability of that mill to use hardwoods as its  
3 feedstock as a proportion of its total feedstock.

4 Do you understand what I am asking?

5 A. Yes.

6 Q. All right. Well, let's start then  
7 with - and perhaps we can number them one to six down  
8 the left side - starting with Boise Cascade, Kenora.  
9 As I advised you at noon, there is some other questions  
10 I have associated with that and that would help deal  
11 with those questions at once.

12 So starting with No. 1, Boise Cascade,  
13 Kenora, can you tell me what its preferred feed is;  
14 that is, between coniferous and hardwood, and its  
15 maximum ability to use hardwoods to produce the kinds  
16 of products that it is aimed at producing for the  
17 markets it serves?

18 In other words, I don't want to get into  
19 any games of: Well, if I change my product I can use  
20 less. I am talking about the intentions in terms of  
21 producing a product for a particular market.

22 A. Okay.

23 THE CHAIRMAN: At this point in time?

24 MR. CAMPBELL: Markets will change. I am  
25 just saying looking out -- this is the best example we

1 have, Mr. Chairman, of where capital expenditures are  
2 being made and, presumably, they are made in the  
3 expectation that there is a preferred type of wood to  
4 be used, but there is an ability to use other woods.

5 Those are kind of management choices, and  
6 I am just asking what this witness can tell us about  
7 those management choices.

8 MR. DUNCANSON: Okay, I am ready.

9 MR. CAMPBELL: Q. Go. Start with No. 1  
10 Boise Cascade, Kenora.

11 MR. DUNCANSON: A. Boise Cascade, that  
12 project requires putting a twin wire on an existing  
13 newsprint machine. Their furnish in that case is  
14 softwood. You understand furnish being the --

15 Q. That's what I call feedstock?

16 A. You will see lots of it tomorrow.

17 Q. All right. So it requires softwood?

18 A. It is already using softwood. There  
19 is no major new net increase in demand.

20 Q. Fine. Okay. So with respect to that  
21 capital expenditures, it contemplates the use of  
22 softwood?

23 A. That particular machine is already  
24 using softwood.

25 Q. Fine, fine.

1                   A. That is an improvement to the  
2 machine.

3                   Q. All right. No. 2, which is Great  
4 Lakes Forest in Dryden?

5                   A. Dryden. That primarily will be a  
6 blend of hardwood and softwood.

7                   Q. And can you give relative  
8 proportions? That is for book and writing paper, as I  
9 understand it?

10                  A. Yes, it is. That's computer paper  
11 formed bond, xerographic.

12                  Q. All right.

13                  A. The blend between hardwood and  
14 softwood is totally dependent on what market the  
15 company wishes to follow, but they could use a hundred  
16 per cent hardwood.

17                  Q. All right.

18                  A. No. 3?

19                  Q. Are you aware of what their  
20 current...

21                  A. This is a brand new machine.

22                  Q. All right. So is it -- am I just  
23 whistling in the dark to try and indicate that -- to  
24 try and determine whether their current plans are  
25 mostly associated with a hardwood or softwood, or you



1 are saying they have the ability to switch either way?

2 A. I think that this is a perfect  
3 example, the fact that they recognize the abundance of  
4 poplar in the northwestern part of Ontario and this is  
5 a way of utilizing more of it.

6 Q. Okay. So that depending on the  
7 product they want to produce, to the extent that it's  
8 more fine paper they would want to go more to softwood  
9 but to the extent it was --

10 A. No.

11 Q. No?

12 A. No. You can make just a good quality  
13 fine paper from either hardwood or softwood, kraft  
14 furnish.

15 Q. Okay. Where is the difference going  
16 to occur in terms of their production? What products  
17 will be -- out of this mill will be more associated  
18 with poplar furnish as opposed to softwood furnish?

19 A. It is going to be a blend of both.

20 MRS. KOVEN: Excuse me, doesn't a lot  
21 depend on the area they are harvesting at that time?

22 MR. DUNCANSON: I would expect it would,  
23 yes.

24 MR. CAMPBELL: Q. Basically the  
25 impression I am getting is that they have complete

1 flexibility as to their furnish?

2 A. Not complete and utter but, yes, they  
3 do have good flexibility on their furnish.

4 Q. So it would not be a concern to them  
5 if the predominant wood supply available to them was in  
6 fact poplar?

7 A. That's, you know, a very technical  
8 question. All I know is that in the production of fine  
9 paper you can use a large percentage of poplar.

10 Q. When you say large, what are you  
11 talking about?

12 A. Well, in excess of 50 per cent.

13 Q. Okay.

14 A. Continuing down?

15 Q. Well, just a second. Just before we  
16 leave that then, just to sort of try and get some sense  
17 of this, if the wood supply that was available to them  
18 was 50 per cent poplar, you are saying that shouldn't  
19 be a major concern in the operation of this mill?

20 A. No, I wouldn't.

21 Q. Fine. Right.

22 A. Incidentally, that is a sister  
23 machine for one that is already using poplar that was  
24 built five years ago.

25 No. 3, Thunder Bay, that's replacing a

1        pulping system that is currently groundwood that is  
2        using softwood. That new pulping process will be using  
3        softwood. No incremental increase in wood demand.

4                    Q. All right. But that investment is  
5        associated with a softwood furnish?

6                    A. That is changing, yes, it is changing  
7        a process.

8                    Q. There is a process change but the  
9        furnish is not different?

10                   A. No.

11                   Q. All right. James River/Marathon?

12                   A. I don't have the full details of this  
13        modernization but, depending on the details of it, I  
14        would think that portion of the modernization,  
15        particularly if it is in the digester stage of this  
16        pulp mill, that they could use hardwood.

17                   Q. Again, are we looking at the  
18        possibility that they could use it exclusively or 50  
19        per cent; what kind of proportion?

20                   A. I think you could say they could use  
21        it as another blend, so use 50 per cent.

22                   Q. All right. But that one you are a  
23        little uncertain of, I take it, because you don't have  
24        all the details, to be fair?

25                   A. I don't have all the details.

1 Q. Okay. So that the same certainty  
2 doesn't attach with the opinions you have expressed in  
3 Great Lakes Forest, Dryden?

4 A. That is well documented.

5 Q. All right, fine. So No. 4, you are a  
6 little more uncertain but that's your impression of the  
7 information you have?

8 A. Yes.

9 Q. Fine. No. 5, Great Lakes Forest,  
10 Thunder Bay?

11 A. That is -- that new newsprint machine  
12 will be replacing two older machines. There will be a  
13 net increase in wood demand from that mill, about  
14 60,000 tonnes is the difference in capacity between  
15 taking the old two out -- older two ones and replacing  
16 them. That will all be softwood furnish, the  
17 incremental demand.

18 Q. All right. Just as a flier, can I  
19 take it it is sort of then a twin to the TMP pulp mill  
20 that it's putting in?

21 A. Yes, it is all part and parcel of it.

22 Q. Okay. And St. Mary's Paper, Sault  
23 Ste. Marie?

24 A. Yes, I am just...

25 Q. It is groundwood printing, as I



1 understand it; isn't it?

2 A. Yes. That new paper machine will  
3 replace two existing machines. The net incremental  
4 increase in capacity will be approximately 70,000  
5 tonnes. All of that furnish will be softwood.

6 Q. All right. Thank you. Now, with  
7 respect to the chart on page 45, looking at the four  
8 categories under paper and allied industries: pulp and  
9 paper, asphalt roofing, paper boxes and bags, other  
10 converted paper products, would your answer be the same  
11 as with respect to wood industry, that you are unable  
12 to give me, in proportionate terms, the degree to which  
13 softwoods are the preferred - to use your expression -  
14 furnish for those purposes?

15 A. I could run through, you know, each  
16 of the categories if it would help. I can tell you  
17 that we have already discussed newspaper, newsprint.

18 Q. Yes?

19 A. That softwood is definitely the  
20 preferred species there.

21 Q. Mm-hmm. And with respect to pulp?

22 A. To pulp, it is either.

23 Q. So sort of whatever is available you  
24 make pulp out of it and, in fact, I think your --

25 A. They are using hardwood. You will

1 see tomorrow they are using hardwood in the kraft  
2 process.

3 Q. And, in fact, as I understood your  
4 evidence, hardwood in fact had some advantages for some  
5 of the products that are being made?

6 A. It is lower cost.

7 Q. It is not a technical advantage, it  
8 is just a cost advantage?

9 A. Yes.

10 Q. I see.

11 A. And it does have some characteristics  
12 that are slightly superior in the marketplace.

13 Q. All right. And that's what we were  
14 talking about when you were talking about diapers and  
15 absorbant products generally?

16 A. Yes.

17 Q. All right. Now, paperboard?

18 A. By paperboard, the categories that  
19 get broken down into that is liner board, corrugated  
20 medium and boxboard. Most of these products can be  
21 made out of recycled materials. In fact, the bulk of  
22 boxboard and the bulk of corrugated medium, of which  
23 all the machines are located in the southern Ontario  
24 area, use a very high percentage of recycled material.

25 Q. Next, building board?

1                   A. Again, that is made mostly of -- can  
2 be made of composite products,

3                   Q. All right.

4                   A. Recycled.

5                   Q. Oh, recycled?

6                   A. Yes.

7                   Q. And the primary feedstock for that  
8 product category is recycled material?

9                   A. Yes, from what I believe. I am not  
10 an expert on building board products.

11                  Q. Okay. If I can read the writing, at  
12 the end the list then we have other paper and what  
13 about feedstock for that category?

14                  A. By other paper, you would have all  
15 your -- you are lumping together all your other various  
16 grades, it would be coated papers, supercalendered  
17 papers and depending on the actual -- the individual  
18 grade of paper, you can use hardwood or softwood.

19                  Q. All right. Just to make sure I  
20 understand this completely, if you go down to the  
21 bottom line you see coated and treated papers as well  
22 on the bottom line of that.

23                  I take it there is some difference there  
24 between converted paper products -- that you are making  
25 a distinction between that category and the other paper

1 category which is 2719?

2 A. Okay, sorry, I didn't see the coated  
3 and uncoated down there. That would be -- yes, the  
4 other converted paper products. You can use a hardwood  
5 or a softwood kraft furnish in the manufacture of those  
6 products, it depends on the actual end use of the  
7 product.

8 Q. Okay. So it is very product end use  
9 specific?

10 A. Yes.

11 Q. And that controls the wood supply?

12 A. That controls whether they use a  
13 softwood or a hardwood furnish.

14 Q. All right. Ms. Coke, if we were to  
15 take a look at the top line, as I understand from page  
16 101 of your evidence associated with the pulp and paper  
17 line of boxes under paper and allied industries is  
18 approximately \$1.5-billion of value added?

19 MS. COKE: A. I am sorry, are you  
20 looking at page 101 or page 45, I am not sure?

21 Q. I guess I am looking at that line of  
22 pulp and paper, you know, where it covers pulp,  
23 newspaper, paperboard, building board, other paper,  
24 that line on page 45.

25 And then if I understand your evidence



1       correctly, I can conclude from page 101 that pulp and  
2       paper industries, that general category provides  
3       \$1.5-billion of value added in Ontario?

4                   A.   That's correct.

5                   Q.   Are you able to break it down as  
6       between the five sub-categories under pulp and paper?

7                   A.   I don't believe I can.   But can I  
8       just quickly check something?

9                   Q.   Is that a matter of there not being  
10      statistics available at all, or just that you don't  
11      have them with you?

12                  A.   I don't have them with me.   I haven't  
13      done it and I am not sure if there are any.   That's the  
14      question, okay, I am just not sure.   I don't know.   I  
15      don't think so, no.

16                  Okay.   My recollection is that they break  
17      it down into the three digit level.   The statistics  
18      that I have seen do not go to the four digit level  
19      which, of course, the four digit level is the four  
20      numbers on the top as opposed to the three numbers.

21                  Q.   I understand the use.

22                  A.   Okay.

23                  Q.   All right.   So your understanding --

24                  A.   I think it may be possible to have a  
25      special tabulation run by Statistics Canada but you may

1 run into problems of confidentiality if only one  
2 company produces that product, okay?

3 Q. Right.

4 A. So there may be problems getting  
5 information.

6 Q. So Stats Can could be approached and  
7 say: Can you do a four digit run covering these items,  
8 you think they may be able to --

9 A. It may be possible to do it. What  
10 you would probably get is a lot of "x"s if there is one  
11 company producing that particular product or if you  
12 would be able to look at the numbers and say: Aha,  
13 that is so and so and that is so and so, because they  
14 protect their sources.

15 Q. Of course. In any event, you have  
16 not attempted to do that?

17 A. I have not.

18 Q. Now, With respect to the four major  
19 categories under pulp -- paper and allied industries on  
20 page 45, Mr. Duncanson, I guess again my question is:  
21 With each of those four - and perhaps you can move  
22 through them - is there any particular competitive  
23 advantage that's available to Ontario that arises  
24 because of the nature of the wood available in the area  
25 of the undertaking?

1                   And I would take it, for instance, that  
2                   with pulp and paper, what we spoke about before about  
3                   high quality coniferous wood fiber, again, is a  
4                   particular advantage that we enjoy. Are there any  
5                   others beyond that?

6                   MR. DUNCANSON: A. Just for the pulp and  
7                   paper category?

8                   Q. Yes, start with that.

9                   A. That's the major characteristic.

10                  Q. All right. So that--

11                  A. Advantage.

12                  Q. --the major competitive advantage in  
13                  the pulp and paper industry of the paper and allied  
14                  industries that relates to wood available in the area  
15                  of the undertaking is the fact that much of Ontario's  
16                  timber resource consists of high quality coniferous  
17                  wood fiber; do you agree?

18                  A. Yes, but then again you have to refer  
19                  to the quality of the fiber, because people can say  
20                  high quality means big logs.

21                  Q. Okay.

22                  A. By high quality I mean high quality  
23                  fiber.

24                  Q. All right. I am speaking more of the  
25                  coniferous wood fiber. You would agree with my

1 statement?

2 A. That's what I am speaking of too.

3 Q. Okay.

4 A. High quality fiber.

5 Q. High quality coniferous fiber; right?

6 A. Yes.

7 Q. And with respect to asphalt roofing  
8 material, is there any particular competitive advantage  
9 that is available to Ontario that arises from the  
10 nature of the wood available in the area of the  
11 undertaking?

12 A. No.

13 Q. And why is that?

14 A. Your asphalt roofing paper plants -  
15 and I am trying to stretch my memory here to find out  
16 where they are - they are basically secondary  
17 industries, allied industries located in the major --  
18 closer to the major urban centres.

19 Q. okay.

20 A. And your major selling determinant  
21 factor is probably your other raw material cost,  
22 notably the tar.

23 Q. All right. And with respect to paper  
24 boxes and bags, is there any particular competitive  
25 advantage that is available to Ontario industry that



1 arises because of the nature of the wood available in  
2 the area of the undertaking? .

3 A. We are not talking about wood fiber  
4 as much as recycled fiber now, and the Ontario paper  
5 box and bag industry does have the advantage that there  
6 is readily available sources of that recycled material.

7 Q. So I can take it that there is no  
8 particular competitive advantage that is available to  
9 Ontario industry that arises because of the nature of  
10 the wood available in the area of the undertaking; is  
11 that correct?

12 A. That's correct.

13 Q. And what about other converted and  
14 paper products. Again, is there any particular  
15 competitive advantage that is available to Ontario that  
16 arises because of the nature of the wood available in  
17 the area of the undertaking?

18 A. In the paper products that are  
19 largely used -- the uncoated groundwoods, the light  
20 weight coated groundwood paper production in Ontario,  
21 yes, there is a competitive advantage in the fact that  
22 they require a high quality fiber.

23 Q. And by that do you mean a high  
24 quality coniferous...

25 A. Coniferous fiber, yes.

1 Q. All right. And can you give me any  
2 sense of, within that category of other converted paper  
3 products, the proportion of product sales that would be  
4 of that type?

5 A. Are you referring to uncoated  
6 groundwood and coated groundwood grades of paper?

7 Q. Yes, those things that you said  
8 required a coniferous -- the competitive advantage was  
9 associated with a high quality coniferous fiber?

10 A. Okay. And you are looking for...?

11 Q. The proportion within--

12 A. Ontario.

13 Q. --other converted paper products in  
14 Ontario that is associated with that kind of furnish?

15 A. You basically have three mills. Do  
16 you want volumes of those particular mills? The data  
17 is not readily available, but...

18 Q. I am content with kind of a general  
19 indication, if you could say 60 per cent of the  
20 products produced in that sector require -- or some  
21 other percentage, that's the kind of information I am  
22 looking for.

23 A. The closest breakdown, and I refer  
24 you to page 168 and the table on there, the category  
25 groundwood printing paper, which would include these

1 high quality coniferous fibers, total production in  
2 1986 was 411,000 metric tonnes, represented 33 --  
3 roughly 34 per cent of Canadian production of those  
4 grades.

5 If you add together all of your paper  
6 and -- pulp and paper products, it is 411,000 divided  
7 by 5533. This is really rough terms. It would be  
8 somewhere under 10 per cent.

9 Q. I think I am lost completely at this  
10 point. My question is really, if you look at the  
11 category of products that are contemplated by other  
12 converted paper products, category 279 on page 45, you  
13 gave a list of those products that required a high  
14 quality coniferous wood fiber.

15 And my question to you is: What  
16 proportion of the total products produced in that  
17 category are those types of products which require a  
18 high quality coniferous wood fiber?

19 A. I thought I gave it to you.

20 Q. Well...

21 A. It would be 411,000 tonnes.

22 THE CHAIRMAN: Not the amount, Mr.

23 Duncanson.

24 MR. DUNCANSON: What proportion?

25 THE CHAIRMAN: What proportion as opposed

1 to the other products within those categories that  
2 would use hardwood?

3 MR. DUNCANSON: You would have to use  
4 almost exclusively coniferous, you know, softwood  
5 fiber.

6 MR. CAMPBELL: Q. So as I understand  
7 your evidence it's that within the category 279, other  
8 converted and paper products -- other converted paper  
9 products, rather, those products almost exclusively  
10 require high quality coniferous wood fiber?

11 MR. DUNCANSON: A. No, that is not the  
12 case because the other converted paper products -- you  
13 asked me to define what the other converted paper  
14 products were. We are dealing with everything here  
15 from tissue paper to uncoated groundwood,  
16 supercalendered papers.

17 You name the category and I will give you  
18 the percentage.

19 Q. All right. What I am asking you is:  
20 In category 279, are you able to give an estimate of  
21 the proportion of production within category 279 that  
22 requires a high quality coniferous wood fiber?

23 MR. FREIDIN: When you are using 279, are  
24 you are referring to 279, 1, 2, 3 across the page?

25 MR. CAMPBELL: The three digit



1 classification, yes.

2 MR. DUNCANSON: I cannot give it.

3 MR. CAMPBELL: Q. If we start across to  
4 the left then -- or to the right, if we say the four  
5 digit category, 2791, are you able to give an idea of  
6 the proportion of that category that requires a high  
7 quality coniferous wood fiber?

8 MR. DUNCANSON: A. No, I cannot.

9 Q. And is your answer the same for 2792?

10 A. Yes.

11 Q. And for 2793?

12 A. Yes.

13 Q. And presumably for 2799?

14 A. Yes.

15 Q. And I take it that that's just  
16 because the mix of products in each of those categories  
17 is such that that's not an easy number to arrive at?

18 A. Right, they can either use softwood  
19 or hardwood.

20 Q. But your evidence is that without  
21 going through it in -- well, let me ask you: You  
22 obviously haven't gone through it in detail; is that  
23 correct?

24 A. No, but I can recall it.

25 Q. All right. If you can then, I guess

1 within each of those categories can you give an  
2 approximate percentage of the production that requires  
3 high quality coniferous wood fiber?

4 A. You can use hardwood and softwood  
5 furnish for all of the coated and uncoated papers. The  
6 percentage breakdown depends on end product, the end  
7 product you are trying to produce.

8 Q. All right. Do you have any figures  
9 as to what is actually -- what the actual proportion  
10 has been in recent years?

11 A. No.

12 Q. With respect to the next category,  
13 stationery?

14 A. Exactly the same answer.

15 Q. To both my questions?

16 A. To both your questions.

17 Q. And similarly for the next category?

18 A. All the way through.

19 Q. All right.

20 THE CHAIRMAN: Mr. Campbell, could you  
21 let us know where you are going with this whole line of  
22 questioning?

23 MR. CAMPBELL: Well, I think I just  
24 ended, Mr. Chairman, but having ended, if the Board has  
25 some curiosity as to why we have been asking this, I am

1 quite pleased to deal with that, if you like.

2 THE CHAIRMAN: Well, are you going to be  
3 dealing with this in your next set of questions?

4 MR. CAMPBELL: No, no. Oh well, I guess  
5 I come back into it again. No, just a minute, I am  
6 looking at my notes.

7 We have done that already. We have done  
8 that already, that has nothing do with it. No, that  
9 would be it for that topic.

10 THE CHAIRMAN: Can you explain in about  
11 ten words or less where you are going?

12 MR. CAMPBELL: Not ten words or less, Mr.  
13 Chairman, but we have had -- let me back up. It is  
14 clear that the industry is relying on the Crown forests  
15 for its furnish or feedstock, to use my terminology - I  
16 guess the correct term is furnish - that's the wood  
17 that goes in, am I right in using it, that that's the  
18 wood that they push in the mill door to process?

19 MR. DUNCANSON: Close enough.

20 MR. CAMPBELL: Okay. They are relying on  
21 the Crown forest -- the industry is relying on the  
22 Crown forest for its furnish. We have had in previous  
23 panels what, in my submission - and there may well be  
24 some argument about this matter - but at least my  
25 perception, and were I forced to make submissions on it

1       now I think my submissions would basically say that we  
2       have a complete lack of comprehensive data on what is  
3       being produced in the Crown forests by way of natural  
4       or artificial regeneration treatments in terms of the  
5       split between coniferous species, such as black spruce,  
6       and hardwood species, such as poplar. That's on one  
7       side of the equation.

8                       On the other side of the equation, what I  
9       am attempting to determine is, based on the kind of  
10      expenditures that the industry is currently making,  
11      what it expects to require by way of hardwood and  
12      softwood furnish and the degree to which that, in turn,  
13      is tied to the competitive advantages that this panel  
14      spoke of. And clearly, those competitive advantages,  
15      as has been affirmed many times, are closely associated  
16      with the production of a high quality coniferous wood  
17      fiber.

18                      And so in terms of the information that  
19      is currently available to the Board - I am not saying  
20      this will continue on, but I am just saying where we  
21      are now - it is our perception that there is a  
22      significant gap in that information as between an  
23      assurance that we know, on one hand, what the forest is  
24      producing and, on the other hand, what the industry  
25      requires.



1                   And I have no doubt that that gap will be  
2           addressed in due course, however, we do try to keep up  
3           with our understanding of where we sit from time to  
4           time and that is our current perception and, really,  
5           those were the purposes of my question, was to try and  
6           understand whether that gap was in fact real or whether  
7           the industry could in fact use virtually anything that  
8           grew -- anything that grew and, in which case, there  
9           would be no concern about this lack of information on  
10          the other side.

11                   And that's entirely the purpose of my  
12          questions, Mr. Chairman.

13                   THE CHAIRMAN:   Okay.  I think we will  
14          take a 20-minute break at this time.

15                   MR. FREIDIN:   Excuse me, Mr. Chairman, is  
16          Mr. Campbell finished or is he going to be longer?

17                   MR. CAMPBELL:   I will be only a few  
18          minutes longer.

19                   THE CHAIRMAN:   Okay, so we will finish  
20          off with Mr. Campbell when we return and would you be  
21          ready, Ms. Blastorah, to go with re-examination?

22                   MS. BLASTORAH:  Mr. Chairman, I will need  
23          some time to prepare any questions that have arisen out  
24          of this afternoon's cross-examination and I, of course,  
25          do not know what Mr. Campbell is going to embark on

1 after the break. So I think I will need some time to  
2 prepare questions on this afternoon's  
3 cross-examination.

4 THE CHAIRMAN: What are you talking about  
5 in terms of time; if we broke for a half an hour?

6 MS. BLASTORAH: An hour.

7 THE CHAIRMAN: An hour.

8 MR. CAMPBELL: I can finish in five  
9 minutes if you wanted to do that now.

10 THE CHAIRMAN: All right. Why don't you  
11 finish now and then we will break for an hour, and then  
12 continue on with you.

13 We would like to finish off this panel,  
14 if we can, today.

15 MS. BLASTORAH: That's our objective too,  
16 Mr. Chairman.

17 MR. CAMPBELL: Q. If you could turn to  
18 page 196, Mr. Duncanson, of Exhibit 191, and have in  
19 front of you as well Exhibit 200.

20 As I discussed with you at the noon break  
21 or with your counsel, Ms. Blastorah, I didn't quite  
22 understand how these two tables fit together in terms  
23 of there seemed to be capital expenditures made on  
24 Exhibit 200 that were not reflected in capacity  
25 expansions on page 196 of Exhibit 191.

1                   Now, as I understand your explanation, it  
2           is simply this that there are capital expenditures  
3           being made -- as you have indicated in your previous  
4           answers when we talked about these mills listed on  
5           Exhibit 200, there are capital expenditures being made  
6           which do not in fact result in capacity expansions and,  
7           as I understand it, that's the difference between these  
8           two tables; is that correct?

9                   MR. DUNCANSON:   A.   That is correct.

10                  Q.   Fine, thank you.  Now, you indicated,  
11           Mr. Duncanson, that with respect to page 206, the  
12           paragraph you discussed with Mr. Castrilli dealing with  
13           wood supply, that you relied on information that was  
14           provided to you by the Ministry of Natural Resources;  
15           is that correct?

16                  A.   That is correct.

17                  Q.   Now, I had understood I thought at  
18           one point, and if I am wrong just tell me, that you had  
19           also indicated that in coming to that paragraph you  
20           would also relied on information that was given to you  
21           by the industry.  Am I correct in that recollection?

22                  A.   It was generalizations that were  
23           given to me by the industry.  There is no hard copy  
24           written documentation.

25                  Q.   All right.  So it was just that in

1 the course of your interviews...

2 A. We asked a question: Do you see any  
3 limitation on wood supply.

4 Q. And the kind of feeling you got was:  
5 Not for the next 50 years; is that fair?

6 A. We didn't ask exactly time frame.

7 Q. All right. It was a simple opinion  
8 that the industry people that you spoke to didn't see a  
9 limitation on wood supply; is that fair?

10 A. I think that's fair.

11 Q. With respect to the cost of that  
12 future supply, did the industry express any view that  
13 would support your statement that the future supply  
14 would not be -- or that there was no evidence to  
15 suggest that the future supply would be more costly  
16 than current supplies? Was that matter addressed in  
17 your discussions with industry?

18 A. The people that we were interviewing  
19 in the industry side, and you will have to bear with me  
20 on this one, were primarily financial.

21 Q. So they wouldn't have expressed a  
22 view on that matter?

23 A. No, we did not -- no, did not get a  
24 viewpoint on that matter.

25 Q. From the industry?



1                   A. From the executives that we  
2 interviewed from the industry.

3                   Q. Thank you. And I guess my last  
4 question is whether there were any other areas of your  
5 report that are similar to this paragraph where, in  
6 effect, you simply adopted views expressed to you by  
7 the Ministry or by industry?

8                   A. On page 205, Section 4.5, there was  
9 some generalizations here on the financial investment  
10 criteria, vis-a-vis how long term did they view these  
11 investments. Different companies have a different  
12 return on equity so we did -- you know, we summarized  
13 our findings.

14                  Q. Now, in that case, you have  
15 identified the fact that the companies that spoke to  
16 that item made the following observations. It is clear  
17 that you are recording observations made by the  
18 company.

19                  I am more concerned with paragraphs that  
20 are of the type on 206 where there is a statement made  
21 that doesn't give that kind of source but which, in  
22 fact, is simply a matter of relying or adopting views  
23 expressed by MNR or the industry without further  
24 investigations and analysis by yourself?

25                  A. No.

1 Q. Dr. Andersen, you would agree with  
2 that; is that correct, in your area of the report as  
3 well?

4 DR. ANDERSEN: A. Yes, that's right.

5 Q. Thank you very much.

6 MR. CAMPBELL: Thank you, Mr. Chairman.  
7 Those are my questions.

8 THE CHAIRMAN: Very well, thank you.

9 It is a quarter to four, so we will break  
10 until five o'clock. Would that help you out, Ms.  
11 Blastorah?

12 MS. BLASTORAH: I think that would be  
13 fine, Mr. Chairman.

14 THE CHAIRMAN: Very well. Thank you.

15 ---Recess taken at 3:45 p.m.

16 ---Upon resuming at 5:05 p.m.

17 THE CHAIRMAN: Thank you, be seated.

18 RE-DIRECT EXAMINATION BY MS. BLASTORAH:

19 Q. Mr. Duncanson, I would like to  
20 address my first question to you. During  
21 cross-examination by Mr. Cosman yesterday he asked you  
22 a series of questions with regard to the proximity of  
23 Quebec's newsprint producers to Ontario's markets.

24 Do you recall that line of questioning?

25 MR. DUNCANSON: A. Yes, I do.

1 Q. Okay. And arising out of that  
2 cross-examination, Mrs. Koven asked you a question in  
3 response to which you listed a number of Quebec  
4 newsprint manufacturers, I believe. Do you remember  
5 that?

6 A. That's correct.

7 Q. I am not sure whether you in fact  
8 answered Mrs. Koven's question and I would like to give  
9 you the question as I made note of it and would you  
10 please indicate whether you did in fact answer it and,  
11 if not, would you answer it now.

12 The question I have down as Mrs. Koven's  
13 question is: Whether there are any of the large  
14 newsprint producers operating in Quebec which do not  
15 also have a presence here in Ontario?

16 A. No, there are several producers,  
17 newsprint producers in Quebec that do have operations  
18 in Ontario.

19 Q. Are there any in Quebec which do not  
20 have operations in Ontario?

21 A. Yes, there are some.

22 Q. Thank you. Can you give me any  
23 details on that or do you have that information readily  
24 available?

25 A. Yes, I have that information.

1 Bear with me for a minute. Do you want a list of the  
2 companies that are operating in both provinces or shall  
3 I state the mills in Ontario that have mills in Quebec,  
4 or how do you want the information?

5 I mean, I am just going to be reading  
6 right out of directories and lists.

7 MRS. KOVEN: The question that I asked, I  
8 think, was a very simple one and that was whether there  
9 were any newsprint mills in Quebec that did not have a  
10 corporate relationship with companies in Ontario; are  
11 there any independent Quebec firms?

12 MR. DUNCANSON: Do you want the list of  
13 those companies?

14 MRS. KOVEN: How long is it?

15 MR. DUNCANSON: Not that many. I know  
16 the industry fairly well. Some of these newsprint  
17 producers in Quebec may have non-newsprint but paper  
18 making facilities in Ontario.

19 MRS. KOVEN: Yes, I don't want to hear  
20 about those.

21 MR. DUNCANSON: Okay. It is a very  
22 integrated -- Donahue Inc. is a sole Quebec newsprint  
23 producer, Kruger, Consolidated Bathurst, F.F. Soucy,  
24 and James MacLaren Industries and one more here, Reed  
25 Inc. Those would be the companies that have newsprint



1 operations in Quebec but not in Ontario.

2 MRS. KOVEN: So could you conclude, with  
3 the exception of Consolidated Bathurst and maybe the  
4 Reed facility, that mostly the operations are fairly  
5 well integrated between Ontario and Quebec?

6 MR. DUNCANSON: Yes, they are.

7 MS. BLASTORAH: Thank you, Mr. Duncanson,

8 Q. Mrs. Coke, my next question is for  
9 you. Do you have Exhibit 61 handy which is the  
10 Woodbridge Reed REPORT and you will also need your copy  
11 of the witness statment.

12 MS. COKE: A. All right.

13 Q. Would you please turn to page 6 of  
14 the Woodbridge Reed Report.

15 A. All right, I have it.

16 Q. Yesterday you were asked a series of  
17 questions by Mr. Castrilli in relation to Figure 3.2 --  
18 or 3-2 on page 6, and the text which immediately  
19 precedes that on page 6. Do you recall that?

20 A. Yes, I do.

21 Q. Okay. Would you now turn to page 46  
22 of the witness statement. You can just keep Exhibit 61  
23 open, if you would.

24 A. All right, I will. Okay.

25 Q. Do you have page 46 of the witnesses

1 statement?

2 A. Yes, Features of the Ontario Forest  
3 Products Industry?

4 Q. That is correct. In response to Mr.  
5 Castrilli's questioning you indicated that the forest  
6 products industry is holding its own?

7 A. Yes, I did.

8 Q. And as the basis for that statement  
9 you referred Mr. Castrilli to that portion of your  
10 evidence which indicates that the contribution of the  
11 forest products industry to the provincial gross  
12 domestic product have held steady since the early  
13 1970s?

14 A. That is correct.

15 Q. Has provincial GDP in Ontario grown  
16 in that period?

17 A. Exactly, it has and therefore the 2  
18 per cent is a 2 per cent of a growing market.

19 Q. So just to make sure I understand  
20 that, in connection with the same line of questioning,  
21 the Chairman asked you whether you would equate the  
22 industries holding its own with the forest products  
23 industry being stagnant, and you responded that you  
24 would agree if growth was defined as an increase in the  
25 per cent share of provincial gross domestic product?

1 A. That's right.

2 Q. And I believe you just indicated that  
3 the 2 per cent share would not be the same over time;  
4 is that correct?

5 A. What I am saying is since the Ontario  
6 economy is growing and the forest products industry is  
7 holding 2 per cent, it is 2 per cent of a growing  
8 market.

9 Q. Would you characterize that as  
10 stagnation?

11 A. No, I would not.

12 Q. Thank you. Again, Mrs. Coke, will  
13 you please turn to page 9 of the EA Document which is  
14 Exhibit No. 4.

15 A. I have it.

16 Q. Okay. And I just want to make sure  
17 we are on the same page because there is a little bit  
18 of a problem with this document in that there is a  
19 summary at the front.

20 A. A description of the undertaking?

21 Q. Yes, that's what I want, right.

22 A. Okay.

23 Q. Mr. Campbell asked you, I believe it  
24 was yesterday, whether you agreed with the statement  
25 that the undertaking takes place entirely within the

1 logging part of the industry. Do you recall that  
2 question?

3 A. Yes, I do.

4 Q. And he then took you to this page in  
5 the Environmental Assessment Document and asked you  
6 whether all of the activities listed here are within  
7 logging. Do you recall that?

8 A. Yes, I do.

9 Q. Okay. I would like to just take you  
10 to that list now.

11 A. Okay.

12 Q. And ask you whether preparing site  
13 for regeneration, activities such as seeding and  
14 planting, would those be included in the definition of  
15 logging which you used in your material?

16 A. Not that which Stat Canada uses, no.

17 Q. And regeneration activities such as  
18 planting, would those be included?

19 A. No.

20 Q. Activities such as spraying  
21 herbicides?

22 A. No.

23 Q. Fire fighting?

24 A. No.

25 Q. Building access roads?



1 A. Not that I -- no, not that I  
2 understand it.

3 Q. Okay, thank you. Again, Mrs. Coke,  
4 in answering a series of questions yesterday, again I  
5 believe posed by Mr. Castrilli with regard to  
6 cost/benefit--

7 A. Yes.

8 Q. --you responded that it is extremely  
9 difficult to attribute costs for infrastructure  
10 expenditures by government to a particular industry and  
11 I believe the example you gave was attributing part of  
12 a hospital to a particular industry?

13 A. That's right.

14 Q. And I believe you also indicated that  
15 the result of that would be very subject to debate,  
16 that kind of an analysis?

17 A. That is correct too, yes.

18 Q. Would the same attribution problems  
19 arise with regard to indirect revenues to government  
20 for a particular industry?

21 A. Yes, that would seem to be the case,  
22 that is my opinion.

23 Q. Thank you.

24 Mr. Duncanson, turning back to you. When  
25 you were asked, and I believe it was by Mr. Campbell,

1 about the wood industries and its financial state of  
2 health, you indicated that the wood industries were at  
3 a break even point and you also said that the 15 per  
4 cent softwood lumber tax was a particular burden to the  
5 saw milling industry. Do you recall that?

6 MR. DUNCANSON: A. Yes, I do.

7 Q. Does your general assessment of the  
8 wood industry generally apply to each saw mill?

9 A. Yes, generally speaking so. There  
10 are some saw mills that, in particular, that would not  
11 ship totally to the U.S. market. You would have some  
12 hardwood saw mills that would not be affected, of  
13 course, but it would depend on the actual saw mill and  
14 their product that they are producing and basically  
15 their end market.

16 Q. Thank you.

17 A. But generally speaking, industry is  
18 suffering with that tax.

19 Q. Okay, thank you. When you say  
20 generally you mean the industry overall?

21 A. The whole of the lumber industry.

22 Q. Thank you. Again, Mr. Duncanson,  
23 would you turn to Figure 1 on page 45 of the witness  
24 statement.

25 A. I have that.

1 Q. This afternoon Mr. Campbell asked you  
2 a series of questions relating to that table and the  
3 breakdown between hardwood and softwood furnish  
4 supplied to the wood industries. Do you recall that?

5 A. I do.

6 Q. Specifically he asked you whether you  
7 were able to express any opinion as to the proportional  
8 demand for hardwood as opposed to softwood furnish in  
9 the Ontario wood industries. Do you recall that?

10 A. Yes, I do.

11 Q. You indicated that you could not give  
12 such a proportional breakdown for each of the 3-digit  
13 categories listed in wood industries, and by that I  
14 mean the sectors listed in the left-hand column there,  
15 saw mills, planing and shingle mills, veneer and  
16 plywood mills and so on down that column?

17 A. That is correct.

18 Q. Now, I see to the right of that  
19 left-hand column we also have what we have referred to  
20 as the 4-digit items?

21 A. Yes.

22 Q. Which I believe are sub-components of  
23 that first columns' items?

24 A. That's correct.

25 Q. Okay. Would you look at item 2521

1       which is...

2                   A.   Hardwood veneer and plywood mills.

3                   Q.   Right.  Am I correct that those mills  
4       would use hardwood in some proportion?

5                   A.   They are a hundred per cent.

6                   Q.   Can you indicate then for each of  
7       those 4-digit boxes shown on Figure 1, whether those  
8       sub-sectors of the wood industry would produce any  
9       products which use hardwood furnish in any proportion?

10                  A.   Okay.  Starting with 2511, shingle  
11       and shakes, it would be 0 per cent hardwood.  2512, saw  
12       mills, it would be -- they can use hardwood or  
13       softwood.  There is -- I don't have the actual  
14       breakdown but it would probably be 80/20, 80 per cent  
15       softwood, 20 per cent hardwood.

16                  And by hardwood, we are breaking away  
17       from the different meaning than just poplar, we are  
18       meaning maple, birch, beech, some of your other  
19       hardwood species.

20                  Q.   Okay.

21                  MR. CAMPBELL:  Mr. Chairman, has this  
22       witness gone away and done some work in preparation for  
23       this because if he can do it for each of the items and  
24       surely if he can do it, he could have answered my  
25       question about category 251.



1                   He has now completely answered  
2 proportionately with respect to 2511 and 2512 which,  
3 taken together, add up to 251 and yet he was completely  
4 unable to answer my question previously.

5                   MR. DUNCANSON: No, I could have answered  
6 these earlier, Mr. Chairman.

7                   MR. CAMPBELL: Well, with respect, Mr.  
8 Chairman, he said he couldn't.

9                   MR. DUNCANSON: I could not break down  
10 just 251 in the general category. I still can't, but  
11 when you get into the sub-sectors it is quite easy.  
12 This was the point I was trying to get to earlier on.

13                  THE CHAIRMAN: Okay, Mr. Campbell.  
14 Obviously you were seeking this information before and  
15 you did not get it before. The witness now indicates  
16 that he can provide this information, so perhaps I  
17 think he should just provide it by way of Ms.  
18 Blastorah's question and you will get that information.

19                  If there is any specific question that  
20 arises out of the answers that he gives, then perhaps  
21 you will be permitted just to cross-examine quickly on  
22 that.

23                  MR. CAMPBELL: Thank you, Mr. Chairman.

24                  THE CHAIRMAN: I think in fairness  
25 because that was the information he was seeking.

1                   MR. DUNCANSON: Well, he didn't ask me  
2 specifically, I would have come back with those  
3 answers.

4                   THE CHAIRMAN: There might have been a  
5 misunderstanding. I believe that is the information he  
6 was seeking.

7                   MR. DUNCANSON: Okay.

8                   MR. CAMPBELL: Mr. Chairman, it is quite  
9 clear that the sum of the three digits can be derived  
10 from -- or the 3 digits can be derived from the sum of  
11 the 4 digits.

12                  MR. DUNCANSON: No, I beg to differ on  
13 that because --

14                  MR. CAMPBELL: Well, are there categories  
15 missing from this table?

16                  MR. DUNCANSON: There is weighting.

17                  MS. BLASTORAH: If I could just add one  
18 more question to what you are going to be doing then,  
19 Mr. Duncanson.

20                  Q. Where the hardwood components that  
21 you are speaking of include poplar, would you please  
22 indicate that.

23                  MR. DUNCANSON: A. Okay.

24                  Q. Because I believe you just --

25                  A. So, okay. In the saw mills and the

1 planing mills, 2512, the largest proportion of the  
2 hardwood would not be poplar.

3 Q. Okay.

4 A. 2521, hardwood veneer and plywood,  
5 that is self-evident, that is hundred per cent  
6 hardwood. And then, again, the breakdown between  
7 poplar and other hardwoods, I do not -- I cannot break  
8 that down. It is, you know, perhaps 50/50.

9 Softwood veneer and plywood mills,  
10 category 2522, of course no hardwood, it is a hundred  
11 per cent softwood.

12 We are getting into some areas here, the  
13 next sub-sectors 2541, 2542, 2543, 2549 specifically  
14 prefabricated wood buildings, wood kitchen cabinets and  
15 bathroom vanities, wooden doors and windows and other  
16 millwork. All I could say in answer to that is that  
17 quite a few of those items do use hardwood veneer,  
18 particularly birch, beech, probably very little poplar,  
19 but there is a very good possibility that those  
20 sub-sectors do use hardwood veneer.

21 Wooden boxes and pallets, 256, again  
22 going -- using the same answer that I had for Mr.  
23 Campbell, there is a possibility you could use poplar  
24 for pallets. You could use hardwood, other hardwoods  
25 for pallets and you could use softwoods for pallets and

1 boxes.

2 Coffins and caskets, it depends what type  
3 of funeral you want; a cheap one, you could have it for  
4 pine, predominantly it is oak. And I don't know what  
5 they use on the interior walls, you probably could use  
6 some form of particle board or veneer that could have  
7 some poplar in it.

8 THE CHAIRMAN: Do you want to explore  
9 that any more, Mr. Campbell?

10 MR. CAMPBELL: I will pass on that one,  
11 Mr. Chairman.

12 MR. DUNCANSON: Other wood industries, in  
13 wood preservation, category 2591, that would be -- you  
14 could use hardwood but it would be very unlikely it  
15 would be poplar, I am thinking of railway ties. You  
16 can impregnate hardwood railway ties, but by and large  
17 the majority would be softwood.

18 Particle board, 2592, yes, you can use  
19 poplar, it is probably better to use other hardwoods  
20 and you can use softwoods. I don't have a percentage  
21 breakdown.

22 Waferboard, as I stated earlier,  
23 sub-section 2593, is primarily a hundred per cent  
24 poplar and the other wood industries, of course, are  
25 undefined. But, you know, I could take a stab, you



1 name a product and...

2 Q. I think that is sufficient for our  
3 purposes. Again, Mr. Duncanson, my next question is  
4 for you.

5 In response to another question from Mr.  
6 Campbell, again about the use of hardwood but this time  
7 in the paper and allied industries, you responded that  
8 hardwood kraft pulp could be used in some proportion in  
9 the production of newsprint.

10 Can you give us some idea of the  
11 proportion of hardwood kraft that can be used?

12 MR. DUNCANSON: A. It would be no more  
13 than 10 per cent.

14 Q. Is the newsprint you are referring to  
15 in that answer the newsprint which can be produced -  
16 that is newsprint which can be produced using some  
17 measure of hardwood kraft - is that newsprint the type  
18 which can be used to supply any of the newsprint  
19 markets which were described in your evidence?

20 A. Pretty yell.

21 Q. Any particular or any of those  
22 markets?

23 A. Any of those markets.

24 MR. CAMPBELL: Mr. Chairman, I am not  
25 quite sure I understand the answer. My notes indicate

1 that, for instance, under the category newsprint, 2712,  
2 the answer the witness gave to me was that that was a  
3 hundred per cent softwood.

4 Now, is he changing that answer?

5 MR. FREIDIN: He is not changing the  
6 answer, Mr. Chairman, that wasn't the answer that he  
7 got.

8 I have a specific note that he was asked  
9 question: Within the area of your profitability, to  
10 what degree can we substitute away from high quality  
11 coniferous fiber without affecting our place in the  
12 market place.

13 Answer: You have to go product by  
14 product. Example, if you want to go product by  
15 product, tissue paper, he gave an answer, and he says  
16 if you want to use newsprint you can't use a large  
17 proportion of poplar.

18 The question arises out of that answer  
19 and I think it is quite proper and Ms. Blastorah has  
20 accurately referred to the evidence.

21 MR. CAMPBELL: With respect, Mr.  
22 Chairman, when I specifically referred to that  
23 category - I just want to be sure I understand this  
24 correctly - when I specifically referred to that  
25 category in the chart, I think the transcript will show

1       that the answer was that that is all softwood.

2                   Now, if the witness wants to change that  
3       answer, fine. That is the answer I am referring to.

4                   MR. DUNCANSON: The normal case is all  
5       softwood, but you can use kraft pulp in your -- it is  
6       widely used in the industry as a whitener for newsprint  
7       and that kraft pulp does not necessarily have to be  
8       softwood kraft, it can be hardwood kraft.

9                   In that case, that would allow some  
10      poplar to be used in the furnish.

11                  MS. BLASTORAH: Q. Again, Mr. Duncanson,  
12      do you have Exhibit 200 handy?

13                  MR. DUNCANSON: A. What is Exhibit 200?

14                  Q. That is the Future Capital  
15      Expenditures, Ontario Pulp and Paper Mills.

16                  A. Yes, I have it.

17                  Q. Again, Mr. Campbell asked you a  
18      series of questions about this exhibit and in response  
19      to his questions you indicated which of those machines  
20      could or do use hardwood. Do you recall that?

21                  A. Yes.

22                  Q. Am I correct that Exhibit 200 only  
23      lists those machines which are the subject of future  
24      capital expenditures?

25                  A. That's correct.

1 Q. So this is not a complete list of all  
2 the machines in Ontario both old and new?

3 A. No, there are existing machines.

4 Q. Okay. Would you turn to page 201 of  
5 the witness statement.

6 A. I have it.

7 Q. Again, this is a list of major  
8 capital expenditures 1982-1987 in the Ontario pulp and  
9 paper mills.

10 A. Yes.

11 Q. Now, in relation to the machines  
12 listed on page 201, other than those you have already  
13 described on Exhibit 200, can you advise whether any of  
14 these mills use hardwood in their furnish?

15 A. Yes, there are several.

16 Q. Can you advise which of those  
17 machines or give a ballpark estimate?

18 A. No, I think going down by machines.  
19 In the newsprint category, as I stated before, it is  
20 primarily softwood. Great Lakes Forest Products,  
21 because they have a kraft pulp mill - and this will be  
22 very evident tomorrow on your trip - because there is a  
23 kraft pulp mill right on the site beside the newsprint  
24 mill they can easily utilize kraft pulp that is made  
25 next door and to the point where they usually put about



1       10 per cent kraft pulp into their furnish.

2                   I am not familiar a hundred per cent with  
3       the furnish components of the other newsprint  
4       manufacturers, but I am led to believe that quite a few  
5       of them purchase kraft pulp either from an allied mill  
6       or an independent mill, and that pulp is used for the  
7       same purposes as a whitener. It also gives a little  
8       bit of strength to the sheet and, without going through  
9       each one of the machines, I think you could generally  
10      say that up to 10 per cent of the capacity of those  
11      newsprint machines could be satisfied with kraft pulp  
12      and then, again, either softwood or hardwood.

13                   The next --

14                   Q. Sorry, could you just indicate the  
15      basis of the belief. You stated that you are led to  
16      believe that is the case?

17                   A. I have noticed it from time to time  
18      and then, again, it depends on the particular newsprint  
19      machine and really the order, the customer and what the  
20      market is demanding. Some newspapers in the United  
21      States and in Canada demand a very white sheet and the  
22      only way to whiten it is to add kraft pulp to the  
23      furnish. It is a whitener.

24                   Q. Had you completed your answer on  
25      that?

1                   A. No, I hadn't. Just carrying down,  
2                   printing and writing paper, the machines or the mills  
3                   are currently using hardwood as a furnish and poplar  
4                   hardwood kraft would be the Thunder Bay --  
5                   Abitibi-Price Thunder Bay, and also the Great Lakes,  
6                   Dryden, but the new paper machine in there will -- do  
7                   use hardwood kraft furnish.

8                   The percentage, I am not exactly sure but  
9                   it will be more than 10 per cent.

10                  Pulp: The Dryden kraft pulp mill was  
11                  designed to produce some hardwood for those paper  
12                  machines that they are associated with. The EB Eddy  
13                  Espanola plant, part of the modernization expansion  
14                  program included the process installation where they  
15                  could handle hardwood.

16                  They currently produce 50- to 60,000  
17                  tonnes of hardwood, that's from my own memory, so they  
18                  are basically using 15 to 20 per cent.

19                  Q. And when you say hardwood in that  
20                  case, would that include poplar?

21                  A. That would be largely poplar.

22                  Q. What about the Great Lakes mill that  
23                  you talk of before Dryden?

24                  A. Yes, that would be largely poplar, of  
25                  course. James River, no, there is no hardwood at that

1 point yet.

2 Q. Okay. Now, we have looked at Exhibit  
3 200 and you have just gone through the list on page 201  
4 of the witness statement. Are there other pulp and  
5 papers mills in Ontario which are not included on  
6 either of those lists?

7 A. Yes. That use hardwood?

8 Q. Well, yes, I was going to ask you  
9 that next.

10 A. Okay. There are other mills that are  
11 not included on that list, these are existing mills  
12 that were not involved in any major capital expenditure  
13 program. Noteably, the Domtar complex at Cornwall.

14 Q. Now, just for clarity, are these all  
15 of the other mills or are these just other mills that  
16 also use hardwood?

17 A. Both in this case. No, these are --  
18 I will try to identify mills that are primarily  
19 hardwood.

20 Q. Okay.

21 A. That would be Domtar, Cornwall. That  
22 is a significant mill, they produce 235,000 tonnes of  
23 fine paper a year and they do use -- probably more than  
24 50 per cent of their furnish is hardwood.

25 Q. And, again, would that include

1 poplar?

2 A. That would include poplar, primarily  
3 poplar.

4 Q. The Miranda or Fraser Mill at  
5 Thorold, Ontario, is very much a -- that's a three  
6 machine, high grade specialty fine paper mill and they  
7 would use a fairly significant portion of hardwood  
8 kraft that they would buy on the open market. They are  
9 not producing it themselves.

10 Q. Again, could you indicate what  
11 proportion, if any, of that hardwood would be poplar?

12 A. It would be almost all poplar.

13 Q. Thank you.

14 A. EB Eddy, the plant -- the sister  
15 plant located in Ottawa, sister from Espanola, I know  
16 that they do inter-company transport hardwood kraft  
17 which is primarily poplar down from their Espanola  
18 kraft pulp mill. That completes the list.

19 Q. Thank you. Again, Mr. Duncanson,  
20 could a softwood kraft mill operating in Ontario today  
21 be converted to use hardwood furnish?

22 A. The technology is I guess, in looking  
23 back, is fairly new. By that I mean it is within the  
24 last 15 years. However, it has grown further in  
25 importance because of the cost savings in producing



1 kraft pulp and I guess, more importantly, the market  
2 acceptance of hardwood kraft pulp.

3 The actual machinery and the amount of  
4 investment required to convert hardwood kraft system  
5 over to a softwood, I don't know exactly what the total  
6 figure is in millions of dollars because, as I have  
7 explained all along, a kraft pulp mill is a massive  
8 chemical refinery.

9 It is quite evident that you would not  
10 have to put as much bleaching capability in. Most of  
11 the mills like Espanola and Dryden that are producing  
12 kraft pulp will run it on -- they separate the species  
13 and they will run poplar from 2 to 3 weeks or a month  
14 or maybe a quarter and then they will switch over to  
15 softwood. There is some change over required and  
16 recalibrating the machinery, not terribly expensive,  
17 but, you know, you have to change your cooking process  
18 times.

19 THE CHAIRMAN: That is a system that can  
20 take both. What if it is a system that was designed  
21 only for softwood, is it a major capital expenditure to  
22 switch it over so it can accept both?

23 MR. DUNCANSON: There is no textbook rule  
24 and I am not familiar enough with the Marathon Mill or  
25 the Terrace Bay Mill, which are the two other major

1 pulp mills, to answer that. I believe it is a fairly  
2 expensive procedure, and I would think that you would  
3 probably want to put in a new digester, your wood  
4 handling would have to be slightly different and, at  
5 the same time, your chemical process would change a  
6 bit.

7 So it would be in the neighborhood of 50-  
8 to \$75-million, but that's a sort of a gut feel figure.

9 MS. BLASTORAH: Q. And just to clarify,  
10 Mr. Duncanson, I think in the beginning of that  
11 discussion you mentioned a conversion from a hardwood  
12 to a softwood pulp mill. I take it that you meant the  
13 other way around?

14 MR. DUNCANSON: A. Yes, softwood to  
15 hardwood, sorry.

16 Q. Thank you. Again, Mr. Duncanson, if  
17 you can turn back to Figure 1 at page 45.

18 A. I have it.

19 Q. Okay. Again, in relation to that  
20 figure, Mr. Campbell took you through that table and  
21 asked you in relation to each of the four 3-digit  
22 categories whether there is any competitive advantage  
23 because of the nature of wood available in the area of  
24 the undertaking.

25 Do you recall that line of questioning?

1 A. Yes, I do.

2 Q. Your response in some cases was yes  
3 and in some cases was no, and I think this was limited  
4 to the paper and allied segment of the industry?

5 A. Yes.

6 Q. Are there any other factors; that is,  
7 other than species availability, which contribute to  
8 competitive advantage?

9 A. For the entire industry or --

10 Q. For the paper and allied sector?

11 A. For the paper and allied. You know,  
12 again, you know, in generalities, you know, I would  
13 like to have a more specific question.

14 Q. Okay. Well, as I understood Mr.  
15 Campbell's question and your response, he asked you  
16 specifically with regard to wood availability and the  
17 impact of that on competitiveness.

18 A. It is a feature of competitiveness,  
19 yes.

20 Q. Yes.

21 A. Wood availability.

22 Q. Are there other features?

23 A. You know, distance from market,  
24 energy -- amount of energy input, amount of labour  
25 input.

1 Q. And those would also impact on  
2 competitive advantage; would they?

3 A. Yes.

4 Q. Thank you. Again, Mr. Duncanson,  
5 under cross-examination by Mr. Castrilli yesterday you  
6 indicated that hardwood kraft pulp could be used to  
7 produce printing and writing paper.

8 And I believe you gave us an example of  
9 the type of paper you were referring to, the sort of  
10 paper that we are writing on and reading from today; is  
11 that correct?

12 A. That is correct.

13 Q. Would you please turn to page 187 of  
14 the witness statement.

15 A. I have it.

16 Q. Okay. Would the type of paper you  
17 referred to in that response to Mr. Castrilli be  
18 included in the category of printing and writing paper  
19 to which the graph on page 187 refers?

20 A. It would.

21 Q. Thank you.

22 MS. BLASTORAH: Those are my questions,  
23 Mr. Chairman.

24 THE CHAIRMAN: Thank you.

25 Mr. Campbell, were there any more



1 questions arising out of the information you got with  
2 respect to the breakdown of hardwood and softwood?

3 MR. CAMPBELL: No, Mr. Chairman, except  
4 that I would appreciate it if the witness could  
5 indicate whether in going through all of the mills that  
6 he did, all of the mills in Ontario, I had not bothered  
7 with that exercise because I assumed that they were --  
8 all Ontario mills were captured in the statistics that  
9 were provided with respect to paper and allied  
10 industries.

11 I would just appreciate understanding  
12 whether or not that in fact is the case so we can rely  
13 on the breakdown that was provided on page 45.

14 THE CHAIRMAN: I understood that the  
15 chart referred to those mills which were undergoing  
16 some form of capital...

17 MR. CAMPBELL: No, I am referring to page  
18 45, Mr. Chairman.

19 THE CHAIRMAN: Oh, I am sorry.

20 MR. CAMPBELL: Which has the chart and  
21 the breakdown of the forest industry in Ontario paper  
22 and allied industries. I assumed - and I would just  
23 like to understand, because I am not clear following  
24 Ms. Blastorah's redirect - as to whether in fact this  
25 breakdown of paper and allied industries would

1 encompass the economic activities associated with all  
2 of the mills in Ontario, whether they are undergoing  
3 expansion or not.

4 MS. BLASTORAH: Mr. Chairman, just for my  
5 sake, if we could clarify my -- if Mr. Campbell is  
6 referring to my question as to whether the two lists on  
7 capital expenditures included all the mills, neither of  
8 those lists was the one on page 45.

9 That's not his question, I take it?

10 THE CHAIRMAN: No. I think what he is  
11 saying now is: Under the category paper and allied  
12 industries, does the information contained in the  
13 chart, Figure 1 at page 45, refer to all of the mills  
14 in their totality not just the ones undergoing capital  
15 expansions in the other charts; is that correct?

16 MR. CAMPBELL: Yes, that's correct.

17 MS. BLASTORAH: I know this was part of  
18 Mrs. Coke's evidence and I know it is Statistics Canada  
19 breakdown so maybe she can answer that question.

20 MS. COKE: Okay. Yes, what this chart  
21 does is it is Statistics Canada's format for reporting  
22 basically the production of forest products industry.

23 And, obviously, their categories are  
24 maybe slightly different than the categories that other  
25 people use, but it is -- when they look at an

1 establishment they say: What do you produce and, you  
2 know, basically they give every commodity a number and  
3 so they fit the commodities into the box.

4 And so I guess the answer is: Yes,  
5 everything that is produced by the forest products  
6 industry should be captured in one of these boxes,  
7 okay?

8 MR. CAMPBELL: So unless Ms. Blastorah  
9 wishes to clarify this further, I am assuming on the  
10 basis of this evidence that the economic activity  
11 that's associated with paper and allied industries as  
12 shown on page -- as shown under the categories that are  
13 shown on page 45, plus future capital expenditures or  
14 recent capital expenditures that won't be caught by  
15 Stats Canada data, together comprise all of the  
16 economic activity associated with paper and allied  
17 industries?

18 MS. COKE: To the extent that these firms  
19 produce products that have been given a code that fit  
20 into this classification system, the answer is yes,  
21 okay?

22 MR. CAMPBELL: Well, really, Mr.  
23 Chairman...

24 MS. COKE: Maybe I can even go further.

25 MR. CAMPBELL: Is there some lacuna here

1       that I am missing in all of this? Is there something  
2       that's just not there?

3                   MS. COKE: What we are comparing here are  
4       products and firms. So if a firm produces four  
5       different products, the Statistics Canada, as much as  
6       it is able, takes those particular products or, you  
7       know, so okay, 40 per cent pulp, 25 per cent newsprint  
8       and it tries to attribute those according to this  
9       classification.

10                   So I can see why it would be confusing,  
11       it is comparing companies and products and that's just  
12       the way Stats Canada reports it.

13                   THE CHAIRMAN: Can there be a situation  
14       where the company makes a product that Stats Can can't  
15       attribute to a category?

16                   MS. COKE: No, and that's exactly where  
17       the other paper, NES, or not elsewhere specified fits.

18                   MR. CAMPBELL: Thank you, Mr. Chairman.

19                   MS. BLASTORAH: Mr. Chairman, I think  
20       some of the confusion - maybe it is clear now - perhaps  
21       some of the confusion was arising from the fact that  
22       the table on page 45 really doesn't address -- capital  
23       expenditures has nothing to do with that.

24                   THE CHAIRMAN: Okay. I think the Board  
25       is clear and I think Mr. Campbell is clear.



1 MR. CAMPBELL: Yes.

2 THE CHAIRMAN: Okay.

3 Thank you, ladies and gentlemen. We will  
4 adjourn until 8:30 tomorrow morning.

5 MR. FREIDIN: No.

6 THE CHAIRMAN: No, sorry, where are we?

7 We are not adjourning until tomorrow  
8 morning, we are not going to sit, we are going on the  
9 site visit. I guess it is 8:30 we will be back here on  
10 Thursday morning.

11 And those of you who are accompanying us  
12 will be picking up the bus outside the Ramada Inn  
13 tomorrow morning; is that correct?

14 MS. BLASTORAH: Yes, Mr. Chairman.

15 THE CHAIRMAN: Panel, I think you are now  
16 discharged. Thank you.

17 MS. COKE: Thank you.

18 MR. DUNCANSON: Thank you.

19 --(Panel withdraws)

20 ---Whereupon the hearing adjourned at 5:45 p.m., to be  
21 reconvened on Thursday, September 1st, 1988,  
22 commencing at 8:30 a.m.

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